The Management REVIEW

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COMMENT • DIGEST • REVIEW

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The Management REVIEW

WHERE would we stand if the war were to end today? This question is raised in the month's feature abstract **(If the War Ends Now)**, and the answer presents a somewhat depressing picture.

It is true that some of the chief barriers to orderly reconversion have already been hurdled. Excellent progress has been made in the preparations for handling contract termination, with a good law now on the statute books and a standard termination clause adopted by the procurement agencies. On the other hand, preparations for handling the huge inventory of war goods and plants are behind schedule. Much must still be done before the WPB can unwind the production controls that restrict manufacture of civilian goods; the 364 orders and regulations now in effect are the foremost barrier to reconversion. Plans for easing the shift of war workers to peacetime occupations are still in the embryonic stage. Finally, little progress has been made in designing a workable postwar fiscal policy.

While it is generally agreed that we must attain an aggregate postwar national income of $140,000,000,000, there is little agreement on how this goal is to be reached. Nor do observers see alike on postwar economic prospects—some hold that pent-up demand and scarcity of goods will produce an inflationary boom, while others paint a black picture of cutbacks and deflation. To be fully prepared, of course, we must be ready for *both* a runaway boom and a serious slump—and the latter eventuality, according to this article, seems the thing to worry about. More about our reconversion planning on the following pages.

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THE MANAGEMENT INDEX

General Management

If the War Ends Now

AMERICANS with few exceptions want to be ready for peace when it comes. Judgment day for their good intentions is here. The war, some or all of it, may last for months; but peace, in whole or part *could* come any time. If the United States is to be ready for sure, it should be ready now. For the domestic transition, how ready are we?

Full preparedness requires a sharp definition of the job to be done. Part of the job is in excellent focus. It is certain there must be more production and more jobs than before the war. There is some agreement on how much —jobs for a labor force of some 60 million, a national income in current prices of about $140 billion, an aggregate output (gross national product) of about $165 to $170 billion. Most of this production, it is agreed, should come from private business concerns operating with traditional freedom of decision.

There is no agreement on how these goals are to be reached. And there is a more immediate and serious disagreement over what will happen during the transition from peak military production to high civilian output. Specifically, will there be a release of pent-up demand during this period, a continuing scarcity of goods, and a serious threat of inflation? Or will there be sharp cutbacks in employment, idleness, depressed buying power, and deflation? There is a world of difference.

Most of the worry so far has been about runaway markets during the transition, partly because booming prices and land values followed the last war. However, the United States will be unprepared unless it is ready for both an inflationary boom and a deflationary slump. It will be especially unready unless it accents preparations for the slump. War production has been built on the biggest boom the United States has ever known. Price regulation, wage stabilization, rationing, and the inherent good sense of the American people have kept purchasing power, far in excess of the supply of goods, from producing a sky-larking inflation. This same control and self-control, if they are needed, are available to counter a postwar inflation.

Since there is no similar machinery on hand for dealing with a slump, a slump is the thing to worry about. The main reason for dovetailing war production with civilian production as it is

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restored is that this will minimize the danger of a spiral of unemployment and deflation during the change-over. The basic test to be applied to reconversion plans today is whether they will preserve the greatest possible continuity in income and employment during the transition.

Preparations for handling contract termination, considered by many the most serious of the possible barriers to quick reconversion, have been well made. Congress has passed a good law. The Army, Navy, Maritime Commission, and the other procurement agencies have adopted the standard termination clause. Robert H. Hinckley, an able business man and experienced public servant, has been given the job of unifying policy and the authority to do it.

A couple of dozen test runs are now being made on company settlements—the procedure by which a company bundles its prime and subcontracts together and renders a single claim direct to the government. An educational system devoted to the art of contract termination is in the making—there are teachers' colleges for instructors, schools for contracting officers and their business clients.

Preparations for managing the inventory of war merchandise and war plants are not in such a happy state. The Surplus War Property Administration is a loose-jointed federation of a dozen executive agencies. It will not be a convenient instrument for the largest merchandising job in history.

In good markets, sale of surplus merchandise may not be difficult. Some plans have been made. But if there is unemployment, disposal will be very difficult. There will be, for example, at least a year's supply of copper, every pound of which is a substitute for new production. No one can suppose that mines will close down, miners quietly accept unemployment, while this copper inventory is being liquidated. And there are still no discernible plans for surplus disposal that assume unemployment to be a threat after the war.

Other decisions concerning surplus property will require time and debate, for they cut across deep-seated convictions. For one man the $200 million Geneva plate mill near Provo, Utah, is a resource to use, come hell or high water, for the development of the West. For another it is a wartime expedient lost in a marketless waste, best dismantled and forgotten. For a third it is a useful supplement to facilities of existing companies to be used as and when needed; for a fourth this suggestion spells unwise industrial concentration or monopoly.

Some 364 orders and regulations now restrict civilian production or the use of labor and materials for that purpose. These orders, while they remain, are the firmest of all barriers to reconversion. The manner of their withdrawal will not only have an important bearing on the transition but will be a rich subject for controversy.

Donald Nelson's now famous August 15 order permitting local WPB offices, given materials and the concurrence of the War Manpower Commission, to authorize manufacture of vacuum cleaners, metal hairpins, alarm clocks, and other consumer utilities, and releasing steel for laundry tickets, watches, and steel wool, justified the fuss it caused.

It may have meant little new civilian production. But the precedent, if followed, means that reconversion will be timed to the availability of materials and manpower, not to the date of an armistice.

The War Production Board's task of preparation is by no means finished. The grand strategy for withdrawing the orders must be devised. J. A. Livingston, of the WPB, has suggested that merely to prepare the orders eliminating the controls in any orderly fashion is a sizable task—it would take 88 amendments to eliminate WPB regulations on aluminum. Preparations for unwinding the production controls are still worth worrying about.

Plans by Congress for veterans—mustering-out pay, educational allowances, loans, hospitalization, unemployment compensation—have been finished business since last June, though the G.I. Bill of Rights is unlikely to be a static document, nor should it be. Plans for easing the transition of civilian workers from war to peacetime jobs are still incomplete. Unemployment coverage will probably be extended to workers, primarily those in government establishments, who are now unprotected. The solvency of the state funds will be guaranteed by the Federal Government, although their insolvency was scarcely a threat. Grants very likely will be made to help workers move to and train for new jobs.

Progress in designing a postwar fiscal policy can be quickly summarized. There has been little or none. A postwar tax plan, cornerstone of postwar fiscal policy, is months away. Work on a policy to sustain employment and support markets, should that become necessary, has not even been started. If the United States encounters a sharp postwar depression, it will be forced into the same short-run improvisation that characterized so much of the policy-making of the thirties. The result: more unemployment, more wasteful expenditure, more crisis government than if plans had been made. For a progressive fiscal policy the United States is terribly unprepared. *Fortune*, October, 1944, p. 132:2.

Four-Legged "Workers"

FOUR-LEGGED "workers" are the latest additions to industry's "labor" pool. They're ferrets, formerly the bosom companions of many rabbit hunters, and their job is to track down and exterminate the huge army of rats and mice that run rampant through many war plants, eating through wood, paper and textiles, and carrying disease to workers—all resulting in the loss of vital man-hours.

A good example of the importance of ferrets is found at the White Motor Company plant in Cleveland, where a posse of five of them is "employed" nightly on the job of hunting down rats and mice. Their score to date is some 40 to 50 dead rats a week. They are kept in special cages during the day and are released at night. They always return to their cages in the morning.

Thanks to their efforts, the plant no longer sustains any product damage. In addition, with the rat and mouse population definitely on the wane, the morale of the company's women workers has taken a decided upward spurt.

—*Forbes* 7/15/44

V-E Day Forecast

THE government has completed a comprehensive survey of what will happen to America's civilian life after Germany falls. It concludes that "dislocations in civilian life after V-E Day are likely to be widespread and, in some quarters, serious."

Data presented in the government's report (which is not for public distribution) was supplied by officials of both war agencies and regular government departments. Here are their predictions:

Unemployment. "The War Production Board, working with procurement and other war agencies, roughly estimates that some 5,000,000 people will be changing jobs during the year following V-E Day. There are no accurate estimates of how many will be unemployed at any one time. The over-all figure excludes women, the aged, and such others as are now working largely because of the war and high wages. It includes those who will be released from the armed forces during the year after V-E Day, assuming continuance of the Japanese war during this period.

"Peacetime job possibilities probably will be much better six months after V-E Day than within the first six months. It is believed that in most cases a war job will continue to be the best job for at least six months after V-E Day.

"The War Production Board has not estimated what part of the 5,000,000 are likely to be absorbed by the processes of reconversion, but it believes that a substantial portion will be absorbed and that there will not be an unmanageable employment problem between the ends of the German and Japanese wars. . . . The ratio of unemployment to total population may be no larger than in 1929. The nation's economy will be bolstered by the still tremendous war production necessary for the Japanese war—between 50 and 60 per cent of current war production."

Inflation. "The Office of Economic Stabilization believes that inflationary pressures and the danger of rapidly rising prices will increase after V-E Day and even after the end of the Japanese war.

"This situation will continue until reconversion is relatively far advanced and the available supply of goods in all important categories approximately balances the demand. Forty per cent of the rise in the cost of living in the first world war occurred after the armistice.

"Price controls accordingly may be continued for quite some time. They have been extended by Congress until June, 1945. They will be discontinued only as fast as Congress deems it safe to do so."

Military Production. "WPB, adopting the forecasts of the Army and Navy as to their needs for the Japanese war, estimates a production cut of between 40 per cent and 50 per cent following V-E Day. It is probable that most of this cut will occur within six months, and a large part within three months, after V-E Day, and that most of it will affect Army rather than Navy Contracts."

Civilian Production. "Component shortages — for example, fractional

horsepower motors for washing machines — and certain material shortages, such as lumber, will probably have a restraining effect for a short time. Generally, it is expected that during the year after V-E Day enough resources will be available to permit civilian production at least at 1939 levels."

Diet. Foods short (and probably rationed) for six or more months after V-E Day—sugar and butter.

Foods short (with variable rationing) for first six months and plentiful thereafter—the better grades and cuts of meat, fats and oils, fluid milk and cream, cheese, dried skim and dried whole milk, evaporated milk and milk by-products.

Foods adequate (not rationed) for first six months after V-E Day, with a surplus thereafter — processed foods, fresh fruit and vegetables, poultry and eggs, dried beans and peas, wheat and other grains.

Ships. "The War Shipping Administration reports that ships will continue to be built in large numbers for at least several months after V-E Day. This schedule calls for 40,000 more experienced seamen and about 40,000 trainees. The merchant marine must handle the withdrawal of a large part of our army from Europe, move whole armies to the Pacific theater, and increase the flow of war materials along constantly lengthening lines of communication."

WACS and WAVES. "WAC recruitment will continue after V-E Day. Present WAVE quota is 92,900. Enlistments as of July 20, 1944, number 72,350. Plans call for a recruiting rate of approximately 1,000 women per week at least until this quota is filled and possibly longer."

Finance. "War expenditures for the fiscal year ending June 30, 1945, will be close to the $90 billion budget estimate, as against $89.7 billion for the last fiscal year, regardless of whether or not Germany collapses by the end of 1944. The necessity for raising vast sums from the public will continue practically undiminished for some time after V-E Day, according to the Treasury Department." BY S. K. MECKLIN. *The Wall Street Journal*, October 5, 1944, p. 1:2.

Teamwork in Contract Termination

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CONTRACT Termination is the door that opens onto Reconversion; but it is a revolving door, and unless you get through it at the right time, you may be in for a bit of a whirl. This means simply that there are many facets to the procedure of terminating your war contracts, and whether you are a prime or subcontractor, big business or small, unless you are aware of all the phases, and prepared to act accordingly, your business may not live long enough to permit you to reconvert to peacetime production.

Timing, interim financing, notification of suppliers and subcontractors, termination of work, disposal of machinery, equipment, inventories and work in process, and adjustment in personnel are just a few of the highlighted problems facing any war contractor. Each of them must be taken care of swiftly, expeditiously, and just at the right time. Failure in a single phase might mean substantial loss to your business.

That is why you should be organized for termination; why the over-all direction of your termination procedure cannot be left to one man, but should be delegated to a well-rounded committee or team. This team should consist (in companies large enough to have all these officials) of a Vice-President, Comptroller, Counsel, Purchasing Agent, Production Engineer, Personnel Manager and Sales Manager.

Of course, any one of these can delegate much of the detail to subordinates in his department, but termination involves so many important policy decisions that the top man in each department named should be the team member, and many of the important decisions should be the aggregate judgment of the whole team.

VICE-PRESIDENT

The Vice-President is the Captain. The term "Captain" is used advisedly, because to call him "Manager" or "Coach" might connote direction from the sidelines. This Captain is not only the directing genius of our team, but he also has his own position to play. Besides directing the play of his teammates, it is his job to communicate with the members of the other team, the contract settlement team of the government or the intermediate customer. The Vice-President's duties would include setting up the termination team, preparing the termination manual (here he'd have help from the Counsel). He would make sure that vendors and subcontractors know company's termination procedures, and acquaint himself with theirs. He would keep up to date on termination legislation and regulations (gets another assist from the legal department). If the plant is in a labor shortage area, he should determine the possibility of acquiring plants or subcontracting work in surplus labor areas; when termination finally comes, he should represent the team in preliminary conferences with the government contracting officer (if the company

is a subcontractor, he would substitute the prime contractor for the contracting officer as a conferee).

In his dealings with the contracting officer, the Vice-President will (1) try to avoid pretermination suspension of performance; (2) find out how many copies of inventory schedules the contracting officer requires and have the government check the inventory; (3) submit inventory lists promptly for quick disposal and plant clearance.

He also deals with the government in relation to disposal or storage of all surplus property (here he gets an assist from the Purchasing Agent), and arranges to obtain advance approval to settle smaller claims of vendors without review by the contracting officer. If yours is a "hardship" case, he gets special assistance to speed settlement.

Besides directing the whole show, that's about all the Vice-President does.

COMPTROLLER

The next man on the team is the Comptroller, or like official. His duties, of course, relate primarily to the proper keeping of accounts and records (Purchasing Agent helps on records), and to providing adequate interim financing. Specifically, his duties include adapting your accounting system to termination requirements of standard forms and schedules, making sure your system conforms to the government's on reimbursable costs, setting up separate accounts to record all termination expenses, and obtaining stocks of termination forms. His is also the duty of reviewing financial needs, providing for early payment and, if necessary, arranging VT loans.

In that taxes are part of the Comptroller's jurisdiction, he has a big job in weighing the various tax factors pertinent to contract termination. They include tax implications of advance payments on terminated contracts, the advisability, tax-wise, of selling or retaining surplus property, amortization of emergency facilities, use of last-in-first-out inventories, and loss carry-backs and carry-forwards.

COUNSEL

The Counsel, or Head of the Legal Department, will have to exercise almost as much over-all supervision as the Vice-President. He has to see that all commitments are in writing and are in legal form, that all subcontracts and purchase orders are properly identified with the applicable government contract, and that necessary rights are reserved in all contracts. He should review the termination clauses of all your contracts, subcontracts and purchase orders to decide whether or not you should have the uniform prime contractor's clause inserted in your contracts, and to make sure that your subcontracts and purchase orders provide for termination.

In the event of termination, the Counsel should prepare the instructions for notifying vendors and should see that the proper legal forms are used. Finally, he should prepare and obtain signatures on releases from vendors when final payment has been made to them. He also determines advisability and methods of any appeals to be taken from settlement determinations.

PURCHASING AGENT

The Purchasing Agent is given the fourth place in the line-up for a rea-

son. He is the heavy hitter on the team, and so is placed in the clean-up spot. Because of his position and his relationship, he is the most important cog in the termination setup, and on him fall the most duties. He is the contact between the company and its vendors; he is responsible for proper inventories; he negotiates the contracts that the legal department checks; he communicates with WPB for priorities and allotments; because of his contact with vendors, he is the most important man in the disposal of surplus; and he will also be responsible for the proper storage of undisposed surplus.

His duties in connection with termination require his almost constant conferring with most of the other members of the team. Space doesn't permit me to mention each specific duty of the Purchasing Agent, but let me note just the major ones, from which flow the others. In his association with vendors and subcontractors, he must see that their inventories are maintained at reasonable levels; he should wire all vendors immediately on receipt of a termination notice, determine which ones will submit termination claims, and give them termination instructions by mail; he should notify vendors about completing work in process, should make a physical check of their inventories and be sure that they have proper inventory schedules and instructions; he should also see that they issue proper instructions to their vendors.

In disposal, use or storage of surplus property, the Purchasing Agent will have to distinguish between your property and that of the government; decide what can be used and what should be sold; get consent of assignees for sale, bids for sale, and keep records of each sale; check WPB restrictions on use of material for other contracts and guard against losses from transfer to other contracts; determine when materials may be returned to vendors for full credit; check vendors' lists of undisposed property and try to dispose of any surplus remaining to vendors; finally, provide proper storage space for undisposed surplus.

His intra-company duties relate chiefly to gauging the use of inventories and supplies, reviewing contracts with legal department, checking inventories and supplies on hand when termination notice is received, deciding with Production Engineer what property may be used for other purposes, supplying inventory information to Comptroller, and many others.

PRODUCTION ENGINEER

His work is important, and requires close cooperation with the Purchasing Agent. Specifically, he has to keep your production planning flexible, schedule your output accurately, and determine the most efficient cut-off points for stopping work after termination. With the Accounting Department, he should develop job cards, records and departmental cost records which accurately reflect costs. Particularly in small businesses, he should be on the lookout for government-owned alien patents that might be useful to your company.

When termination comes, he must halt work on special tools, dies, etc., and in conjunction with the Purchasing Agent decide what surplus property may be useful to the company for other work.

PERSONNEL MANAGER

He is a very necessary member of the team, because wages can constitute a very substantial item of termination costs. He has to establish methods for transfer or layoff of employees so that, when termination comes, those made idle may be laid off without delay. He must also keep adequate, up-to-date records of employees' abilities, so that he may know constantly what employees may be transferred profitably to other work in the company.

SALES MANAGER

He is the last member of our team, but not the least important. When your war contracts are terminated, you have lost a customer. The Sales Manager has to get one to replace the one lost. Thus he should reorganize the sales department to scout for new markets and to be on the lookout for new war contracts. Other markets may be found in expanded exports and in increased civilian production. He will also have to cooperate with the Purchasing Agent in the disposal of surplus property.

CONCLUSION

That makes up the team. Each has his own very important part to play, but the most important factor of the whole procedure is teamwork. While each plays his position thoroughly and well, constantly he has to be backing up the other fellow. The coverage is so wide and so intricately criss-crossed that full cooperation is essential. It is important to remember, also, that all businesses are not similarly constructed, so the duties outlined for each member of this ideal team should be performed by the person doing that specific work in your organization.

With your team well trained and ready for the game, Contract Termination need not be a bugbear but may be a wide-open doorway to successful reconversion.

PREPARING FOR CONTRACT TERMINATION

STEP I: *Organize for Termination.*

1. Set up a responsible termination unit or department.
2. Work out relations between termination unit and all operating sections.
3. Prepare operating manual.
4. Make sure that your vendors are fully informed of your termination procedures.
5. See that your vendors are properly prepared to take termination action with their own supplies.
6. Study customer's termination organization to assure maximum cooperation.

STEP II: *Study Termination Procedures.*

1. Keep your company up-to-date on latest revisions of termination procurement regulations, standard forms and schedules, and other applicable government regulations.
2. Bear in mind tax implications of your termination actions.
3. Get full information on the termination rights of subcontractors and suppliers.

4. Get termination procurement regulations, standard forms and schedules, and applicable regulations of WPB, OPA, SWPC, etc.
5. Attend termination school, if one is available in your vicinity.
6. If a prime contractor, keep informed of procurement agency administrative procedures.
7. If a subcontractor, or supplier, learn what your customer's termination requirements will be.

STEP III: ***Clarify Your Contract Relationships.***

1. Review termination clauses of your contracts, subcontracts and purchase orders.
2. Caution your purchasing department against making verbal or informal commitments.
3. Get verbal and informal commitments reduced to writing and in legal form.
4. See that all subcontracts and purchase orders are properly identified with government contract to which they apply.
5. Be sure to reserve all necessary rights when framing contracts.
6. Decide whether you wish uniform subcontractor's termination clause inserted in your contract.
7. Be sure that your subcontracts and purchase orders provide for termination.
8. Prepare instructions for notifying vendors of termination and check for proper legal form.
9. Decide whether you wish uniform prime contractor's clause inserted in your contract.
10. Be especially careful of checking customers' solvency.

STEP IV: ***Adjust Your Operating Controls.***

1. Keep production planning flexible.
2. Schedule your output accurately.
3. Determine most efficient "cut-off" points for stopping work after termination.
4. Plan inventory disposal in advance.
5. Keep stock control records accurate.
6. Avoid unreasonable inventories—but don't succumb to inventory "jitters."
7. Determine what classes of surplus materials, if any, you may wish to retain.
8. Do the same for government-owned production equipment.
9. Establish policy and methods for transfer or layoff of employees upon cancellation.
10. Reassure vendors on inventory "jitters"—but see that their inventories are maintained at reasonable levels.
11. Have vendors check desirable "cut-off" points.
12. Keep vendors informed of changes in your operating methods.
13. Apply to WPB and procurement agencies for any necessary modifications in your allotments, production schedules, or inventory restrictions.

STEP V: ***Line Up Loans and Advance Payments.***

1. Review your financial needs and methods of obtaining government funds and loans.
2. Evaluate tax implications of advance payments.
3. Arrange VT loan if necessary.
4. See that vendors know that VT loans and advance payments are available to them.
5. Get customer's cooperation in obtaining advance payments and loans.

STEP VI: ***Adjust Your Accounting and Record System.***

1. Modernize your accounting system if necessary.
2. Adapt your system to termination requirements of standard government forms and schedules.
3. Make sure your system conforms to government standards on reimbursable sales.
4. See that records are available to show costs of inventories, jigs, dies, etc., and the contracts to which they apply.
5. Set up separate accounts to record all termination expenses.
6. Obtain or prepare ample stock of necessary termination forms.
7. See that vendors are sufficiently familiar with your cost accounting methods.
8. Advise vendors on improving their accounting methods.
9. See that your procurement agency or customer is sufficiently familiar with your cost accounting methods.

STEP VII: ***Prepare to Close the Gap of Wartime Termination.***

1. Reorganize your sales department to scout for new markets.
2. Be on the lookout for new military contracts.
3. Check supplies for conquered territories as an outlet.
4. Review expanded export possibilities.
5. Watch for relaxation in restrictions on civilian production.
6. Make full use of available materials for postwar research and experiment.
7. Take advantage of government-owned alien patents.
8. Check availability of subcontractors for substitute production.
9. If in a labor shortage area, determine the possibility of acquiring plants or subcontracting work in surplus labor areas.
10. Keep informed of customers' future production plans.
11. Keep in touch with Office of Civilian Requirements and Smaller War Plants Corporation.

Note: The above check list is adapted by permission from *Research Institute Guide to Contract Termination*, a chart prepared exclusively for its members by The Research Institute of America, 292 Madison Avenue, New York, N. Y. The original chart also contains a check list of steps to be taken upon termination.

Office Wizard

OFFICE machines get bigger, more complicated, more wonderful all the time. Most recent is a 35-ton, 51-foot electrical brain which will solve any known mathematical problem. It is in use by the Navy, solving intricate mathematical problems which once required such vast and detailed calculations that the jobs were practically impossible to handle. The machine, produced by IBM, has 500 miles of wire, 3,000,000 wire connections. After the war, the machine will be put to work solving problems which have previously defied solution. Already the machine has found errors in some of the handy reference tables upon which science and industry have relied for many years. Want one for your office?

—*American Business 8/44*

Office Management

Merit Rating in Offices

QUESTIONNAIRES were sent recently to 50 representative companies in the United States and Canada, employing approximately 15,000 to 20,000 office workers. The survey was by no means exhaustive but was intended merely to give a general idea of what is being done in the field of merit rating for office workers.

Replies were received from 30 companies, of which 17 had formal rating plans and 13 did not. One of the 13 was developing such a plan.

1. *At what intervals are your office employees rated?*

Nine of the 17 companies rate office employees yearly and four half-yearly.

In the remaining four companies, different practices were observed. For example, one company rates from one to three times yearly, depending on length of service and position.

In mostly all cases new employees are rated after three or four months of service; and annually or semi-annually thereafter, as the case might be.

2. *Who does the rating?*

The most prevalent practice is to have the employee rated by his immediate supervisor, with further consultation or review by his superior.

3. *Are the actual ratings discussed with the employees concerned?*

Only five of the 17 firms follow a regular practice of discussing the ratings.

Four companies discuss them occasionally, and three very rarely. In these cases apparently nothing is done about the rating unless it is very poor.

Five companies do not discuss the ratings at all.

4. *If so, by whom?*

Where ratings are discussed with employees, this is usually done by the immediate supervisor or department head or both, depending on the situation. Sometimes the personnel department has a part in it.

5. *Do you train the raters and, if so, how?*

Twelve of the 17 companies have no definite program or policy for training raters. Five companies have such a program.

6. *How do you compensate for differences in raters? (Some tend to rate high and some low.)*

Five of the 17 companies make no effort to compensate for such differences.

In six companies ratings are standardized in the personnel department on the basis of judgment by the personnel director. In one company a weighting method is used for compensating, and two companies employ a percentage distribution method.

In one company, which must have a fairly small office, all of the raters meet and discuss each employee.

One bank, with a great many branch offices, transfers certain male employees from one branch to another during a period of training. They are able, therefore, to take advantage of the unique opportunity of having this particular

group appraised by a number of different raters.

7. *What use do you make of the ratings? (If they are used in connection with salary increases, please state how.)*

The greatest use of merit rating is in connection with salary administration, namely, salary increases. All but one of the 17 companies use their rating plans in this connection.

In five companies it is used in connection with transfers, and in seven companies with promotions.

In three companies it is used as a part of each employee's personnel record, and this is doubtless true in many other companies which did not think of this particular phase in replying.

One company mentions the use of merit rating in determining how a new employee is measuring up after a trial period of a few months. Here again this is, no doubt, true of most of the companies, as they all rate new employees after an interval of three or four months.

Only one company mentions the use of merit rating as a definite guide to employee training.

8. *Are your office supervisors rated?*

Twelve of the 17 companies rate office supervisors, while five do not.

9. *If so, by whom?*

In most cases, the supervisors are rated by their immediate superiors.

10. *If so, is the rating discussed with them, and by whom?*

In three companies the rating is discussed with the supervisors; in four companies it is not. In four companies ratings are discussed only in unusual cases. Ratings are usually discussed by the supervisor's immediate superior or by the personnel manager.

From an address by G. D. Wood before the Twenty-Fifth Annual Conference of the National Office Management Association.

More Savings Through Centralization

CENTRALIZED calculating departments are saving money in some organizations. One office we visited recently had completed bringing together all the calculating machine operators in one big department—more than 50 of them. They had formerly been scattered throughout the offices on several floors, with each department or section doing its own calculating. Standardizing operations, centralizing the work, and including expert supervision have resulted in a saving of $1,550 a month, claims the man who supervised the centralization job.

—*American Business 8/44*

• **TO SAVE TIME AND MONEY** for employees at Vancouver, Wash., Aluminum Company of America operates an in-plant shoe repair shop. A former plant guard is the full-time cobbler who renovates only his fellow workers' work shoes. Prices are below ceilings and range 10 cents to 25 cents less than nearby commercial shops, which are booked up far in advance.

—*Business Week 9/2/44*

Clerical Position Evaluation Plan

IN devising our salaried job evaluation plan, we at Revere Copper and Brass, Inc., Rome, N. Y., have laid particular stress on the need for simplicity and have attempted to reduce the rating procedure to a common-sense level. Definitions of the various factors used in our plan, with explanations of the various degrees comprising each factor, are presented below (it should be stressed that this plan was designed to meet one company's specific needs and that the terminology therefore may not adequately fit conditions in other plants):

Factor No. 1—Elemental Factor Value: As a basis for employment, the company demands certain characteristics which are considered essential for all positions, such as willingness to work, a certain ambition, neatness, personality, honesty, dependability, certain physical specifications, etc. We assign a constant value to these characteristics which we call "Elemental" (45 points).

Factor No. 2—Educational Requirements: This factor is rated according to the minimum education necessary to allow an understanding of the position.

	Point Value
1. Grammar school or equiv.	0
2. Up to 2 years' high school or equiv.	2—4
3. Up to 4 years' high school or equiv.	6—8
4. Up to 2 years' special training above a high school education or its equiv.	10—12
5. Up to 4 years' special training above a high school education or its equiv.	14—16

Factor No. 3—Practical Experience Required: The degree of this factor is determined by the amount of experience judged necessary to fulfill minimum position requirements.

	Point Value
1. Where no experience is necessary	0
2. Where some experience is preferable but can be accumulated during 3 to 4 months' employment with the company	1—3
3. Where sufficient experience would necessitate approximately one year of employment with the company in related positions	4—6
4. Where the necessary experience would require approximately three years' employment with the company in related positions	7—9
5. Where considerable experience is necessary in related positions so as to acquire a thorough over-all knowledge; this experience to absorb approximately five years	10—12
6. Where extensive experience is imperative in order to fulfill the position requirements. This would be considered as requiring over five years' company experience in related positions	13—15

Factor No. 4—Analytical Requirement and Complexity of Work: This factor recognizes the difficulties and complications of the assigned task and measures the extent to which the work involved requires analytical ability, exercise of judgment, initiative and ingenuity.

	Point Value
1. Where the assigned task is of a simple nature and obvious conditions can be readily recognized	0
2. Where the assigned tasks consist of routine or standard matter, but demand recognition of a deviation from the accepted routine	1—3
3. Where the assigned task necessitates a weighing of facts and the exercise of a limited amount of judgment in decisions. It also involves performance of several different kinds of clerical or manual operations	4—6
4. Where the assigned tasks make it necessary to devise data, requiring certain initiative and ingenuity, solve special problems, and make reliable decisions	7—9
5. Where it is necessary to ascertain certain facts, weigh them, and present important or costly decisions to management without the benefit of guidance	10—12
6. Where unusual and important facts must be weighed and analyzed, calling for an extreme exercise of good judgment, and where independent action is essential and will have a bearing on quality or cost	13—15

Factor No. 5—Accuracy: This factor considers the opportunity the work offers for errors and the relative magnitude of the consequences. It also recognizes the availability of supervision to

detect errors promptly and the amount of dependence placed on the accuracy with which the task is performed.

	Point Value
1. Where possibility of error is negligible. All jobs require a certain degree of accuracy	1—2
2. Where preliminary routine work is assigned, and where errors are possible but easily detected and corrected	3—4
3. Where the cost of correction will be considerable, because of the difficult nature of the work and the degree of dependence placed on the performances	5—6
4. Where work is of a very complicated nature and where cost of correction will be great in either time or money	7—8

Factor No. 6—Memory: This factor values the necessity for retaining a variety of facts which may be associated with others, and will have a bearing on the efficient performance of the position.

	Point Value
1. Where this element is relatively unimportant	0
2. Where it is desirable to retain simple facts about current orders and standard practices	1—2
3. Where retention of a variety of facts adds greatly to the efficiency of the task	3—4
4. When retention of a variety of repetitive facts or figures is necessary for constant use and where the memorized facts are difficult to retain because they are not associated with others	5—6
5. Where the efficiency of the task depends largely upon the retention of non-repetitive complicated facts, which would be extremely costly if time were taken to consult written data	7—8

Factor No. 7—Manual Dexterity: This factor is intended to attribute a value to those tasks which require a degree of dexterity, but which involve only a few of the other factors because of the nature of the work.

	Point Value
1. Ordinary clerical work	0
2. Adding machine and calculator operators	1—2
3. Typists, tabulator key punchers, filing, telephone operators, waitresses	3
4. Dictaphone operators, stenographers, Elliott Fisher operators, comptometer operators	4
5. Bookkeeping machine operators	5

Factor No. 8—Supervisional Requirements: This factor values the degree of supervision exercised over the work of others, and takes into consideration the nature of the work as well as the number of employees.

	Point Value
1. Where no supervision is exercised	0
2. Where a group of employees must be supervised, but where the nature of the work calls for little directing, instructing, training or planning	1—3
3. Where a small group of not more than five in number must be supervised, but where it is frequently necessary to train and instruct, direct and plan the work involved	4—6
4. Where a group of more than five is involved, and where the nature of the work calls for frequent instructions, training, planning and directing	7—9
5. Where a small group is involved, but where the nature of the work involves the direction of highly skilled, specialized tasks or work of a complicated nature	10—12
6. Where a large group is involved and where the nature of the work requires a coordination of varied phases of highly skilled technical or complicated work	13—15

Factor No. 9—Conditions of Work: This factor takes into consideration the physical effort expended and the place of work.

	Point Value
1. Soundproof office or where only slight noises are apparent	0
2. Noisy office or room	1
3. Where much walking or standing is necessary to efficient performance	2—3
4. Where the position consists almost entirely of standing or walking and where work must be done under extremely noisy conditions	4—5

Factor No. 10—Continuity of Work: This factor refers to the degree of continuous performance without benefit of interruptions or breathing spells due to necessary conversations with others, etc.

	Point Value
1. Where ample time for stoppage of work is possible due to any causes	0
2. Where work is varied and necessitates some stops for discussion or advice	1
3. Where the work is routine and planned for long periods with little opportunity for interruption	2—3
4. Where it is imperative to stay at the task constantly with rare opportunities afforded for breathing spells	4—5

Factor No. 11—Physical Strain on Senses: This factor recognizes the nervous strain or eyestrain connected with certain tasks or positions.

	Point Value
1. Where there are few involuntary interruptions or very little close figure work which demands concentrated vision	0
2. Where part of the work involves eyestrain	1
3. Where the major portion of the work involves constant eyestrain or close figure work	2—3
4. Where numerous involuntary interruptions are part of the day's work, requiring much concentration and nervous strain to pick up the trend of thought or stoppage point	4—5

Factor No. 12—Relations or Contacts: This factor measures the extent and relative difficulty and importance of the work handled with and through other departments or other companies in connection with the effect of these contacts on plant or public relations.

	Point Value
1. Where this factor is negligible	0
2. Usual contacts with other departments within the company on matters involving flow of work which has been standardized to a large extent and requires no decisions	1—2
3. Contacts with other departments within the company on matters involving decisions or disposal of certain activities which may lead into many discussions as to the best disposal or decision	3—4
4. Contacts within the company or with the public or both which involve the making of substantial adjustments which involve money or company policy	5—6
5. Contacts within the company or with the public or both which involve important agreements or disposal of serious matters which could greatly affect future relations	7—8

The total selected point value, when converted to its relative monetary value, indicates the maximum job rate. A system of increments and decrements has been established, and the current monetary value of the job is fitted into the closest rate in the increment progression. A rate range is employed, and the number of grades within the range is decided by the possible spread of ability that can be applied to the job.

If more detailed information is desired regarding our use of this plan; our methods of arriving at the proper proportional ratings; our rate summations; or our rate structure practices, the Industrial Engineering Department will be glad to explain our complete practices.

(The above has been abstracted from *Clerical Position Evaluation Plan*, a booklet issued by Revere Copper and Brass, Inc., Rome, N. Y. This includes a detailed position analysis and is available upon request.)

14 Points for Office Supervisors

If we consider some of the basic principles an office supervisor must understand, we begin to appreciate his difficulties. Here are 14 points the office supervisor must be taught to fill his position adequately:

1. **He must be taught how to handle grievances.** We know that most grievances start small and gradually grow. A grievance must be discovered when it is small and easy to handle. If a supervisor knows his people, he will be able to detect their grievances; and if he understands their personalities, he will be able to handle their grievances properly.

2. **The supervisor must be taught his responsibility for promotions and discharges.** Since he assists top management in carrying out employee relations policy, he must know how to evaluate properly the abilities of those working for him. He cannot promote employees to shift the problem of dis-

charging them to other supervisors. When circumstances indicate discharging an employee, the supervisor should consider the individual involved. An employee should never be discharged by an angry supervisor. He should be told honestly and sincerely why he is being let go.

3. **He should be taught to make decisions.** Before making a decision, he must assemble and evaluate all the facts. He must then reach a decision and stick to it unless other facts are presented that make reconsideration necessary.

4. **The supervisor must be taught to display proper leadership.** There is a great difference between leading and bossing. A leader seeks the employee's help and advice on matters pertaining to the employee's job. He consults with employees on policies of top management. He secures greater cooperation by telling them of proposed changes in advance and giving serious consideration to their ideas and opinions. A leader explains to the employee why he is doing a certain job and how that duty fits into the organization's routine.

5. **The supervisor must be taught how to delegate his responsibilities.** Since he and the people in his department represent a unit to management, no supervisor stands alone. He must recognize that proper delegation of responsibility makes him a more valuable supervisor because it allows him to spend more time on the human relations problems—gives him time for future planning. While many responsibilities cannot be delegated to others, a great many can. The supervisor must be able to judge which can and which cannot be delegated and to show that by delegating certain responsibilities he is getting the best results.

6. **He must be taught the importance of maintaining quality in his division's work.** Management's entire public relations program is devoted to the maintenance and improvement of the product it sells or the service it renders. Quality in each department must be maintained if the public is to continue to use the company's product or service.

7. **Maintenance of quantity is also an essential part of the supervisor's training.** War or no war, we are always faced with the problem of keeping costs down, and increased production by employees is an effective means to cost reduction. However, the supervisor must realize that a horsewhip is not the best means of increasing production. Elimination of unnecessary details, better light, better air, rest periods, use of music, correct flow of work, and adequate equipment are a few items a supervisor must consider if he is to maintain quantity production and at the same time keep his personnel satisfied.

8. **Care of equipment is important in maintaining quality and quantity of work.** A broken-down machine in one department can cause delays through the entire organization and result in dissatisfied customers. Employees feel that the supervisor is responsible for the breakdown because he should have the machine overhauled or provide extra equipment.

9. **Supervisors should be taught to conserve supplies.** A properly trained supervisor will not only avoid waste but will also strive constantly for standardization and simplification so

that he may improve quality and quantity without antagonizing his personnel.

10. **The supervisor must be trained to organize his department properly.** He must know how to survey equipment, personnel, space and procedure. He must know the duties to be performed, the extent of responsibility, the limitations of authority. He must understand the sequence of work, when to expect peaks and lulls. He must be able to coordinate all elements into a smoothly running department in which employees are proud and happy to work.

11. **The supervisor must understand how to compile proper records and reports.** A large percentage of his supervision can be maintained from reports crossing the supervisor's desk. Trends can tell him if something is wrong, and he can then concentrate on that problem. He must remember, however, that when trends tell him everything is in tiptop shape, the time has come for the pat on the shoulder and the word of praise.

12. **He must be capable of developing proper rules and regulations.** The supervisor must explain rules so that his employees understand why he establishes them and are able to follow them intelligently and willingly.

13. **He must know how to interpret company policies.** Management should acquaint the supervisor not only with the policies of the company but also with the reasons for them. The supervisor can then explain company policy to the employees and eliminate misunderstanding.

14. **He must learn to command respect.** He must never demand it. If the supervisor has the tools reviewed here and applies them properly, he will be respected by those with whom he comes in contact.

A supervisor should also be taught to:

1. Develop the employee's pride in his work;
2. Answer employee's questions;
3. Maintain discipline; and
4. Know when to make a promise, and always keep it.

By Myron L. Hilb. *American Business*, June, 1944, p. 12:2.

Day Nursery Provided for Employees' Children

A DAY nursery is operated by the Mooresville Cotton Mills, Mooresville, N. C., for the children of employees working on first and second shifts. The company picks up the children at their homes and takes them back. A unique feature is that they take care of the youngsters of workers on the second shift during the day, in order that the parents may sleep. Other facilities sponsored by the Mills are a lighted ball park, tennis courts, and softball diamonds.

—National Recreation Association

Personnel

Arma's Vestibule School

VESTIBULE training—which simply means training in a school outside of the plant, and which in this case means training limited to a single production operation for each trainee—is a requirement today at Arma Corporation, Brooklyn, N. Y., for all employees who have not had experience in the kind of work for which they are hired.

As soon as the inexperienced new employee has been accepted by the employment office and has been classified, he or she is assigned to a course in the vestibule school. Classes are conducted five times weekly, with a half-hour for lunch and a 15-minute rest period. In the summer the hours are from 8 A.M. to 4:30 P.M. The rest of the year they are from 4 P.M. to 12:30 A.M.

The school building is new, clean, well ventilated, and relatively quiet despite the numerous machine operations conducted in it. The types of machinery used in the school cover most of the fields of modern factory production methods.

Classes are limited to a maximum of eight to 12 trainees per instructor, and the instructors are, first of all, good teachers. Not merely book-learned pedagogues, about 10 years' factory experience is the average among them.

Textbooks are used to supplement the instructors' lectures, blackboard demonstrations, and the students' actual handling of tools and machines.

Although Arma assigns students to specific courses to fit each student for a single job only, it puts them all through the same one-week preliminary training in shop mathematics, use of measuring instruments, and blueprint reading. Also for all trainees there is a course to teach proper methods for preparing a surface, filing, laying out with height gage and surface plate, and use of a center punch, square and scriber.

After these preliminaries, the instructors explain to each student the basic operations of the machine or process he is to learn, and start him handling the machines or engaging in the process on simple items of production. Machine courses taught in the vestibule school include: engine lathe, drill press, jig-boring, surface grinding, turret lathe milling operations, and benchwork. Other classes teach assembly and inspection. Operations classed as essential for each type are itemized on record cards and duplicate report sheets, one set for each student.

Under watch of the instructors, each student completes all operations a number of times until he is thoroughly familiar with the methods. Then the trainee goes ahead with practice on "live" work.

Arma provides live work for the training classes because it finds this tends to increase the speed of learning by giving students greater pride and satisfaction in what they are doing. Also, this company find that, though the

speed of trainee is low in comparison to experienced workers, the total of live work the classes turn out has a value which should not be neglected.

Instructors keep a record of the progress of each student, noting the number of times each operation has been completed satisfactorily as to quality and speed. Then, when the record forms show the course has been completed, the instructor certifies the student to the employment office as ready for the final on-job training in the plant. Record cards also provide space for instructors to note any special skills or possibilities of the students.

Another reason why the vestibule system speeds the training period is that, by its separation from the main plant, it spares the pupils from the self-consciousness of learning under the critical eyes of experienced employees. It permits the trainees to concentrate better because of its relative freedom from plant noise and distractions. It encourages them to ask questions of their instructors, and permits them to hear explanations more clearly. Also, it spares the plant employees the temptation to be distracted by watching the learners.

As a result of such advantages, this company finds that only four to eight weeks are needed to put an inexperienced employee through the vestibule course. Admittedly, it teaches them only one class of operation, but in the words of George C. Wigle, Arma's director of training, "It gets them into full production more quickly than any other mass system of training we know."

The usual comment of the instructors in the school is that there is no system of classifying students by race, sex or age which can predict reliably the individual's ability to learn. Teachers in this school say that they find that youngsters just out of high school are generally "fresher" in their knowledge of mathematics, for example, but frequently older persons have so much more personal discipline and perseverance that they easily offset any handicap from rustiness about their past learning.

In the case of Arma, no tests are used to classify job applicants who are candidates for the school. Arma relies on the information obtained through the questions on its employment application forms and on the additional questions of its interviewers to indicate the intelligence level and interests of the respective applicants. The more intelligent individuals are assigned to the more complicated machines or processes, with consideration also being given to physical fitness.

New employees hired to start on the training course are paid at a minimum wage scale during the learning period, but are advanced to the standard scale as soon as they are transferred to regular production. The right is reserved to discharge any trainees who prove unfit or who fail to conform to the rules of the training course; and there are some who quit voluntarily before the course is completed. However, about 90 per cent finish the course satisfactorily and are appreciative of the opportunity it provides them. *Factory Management and Maintenance*, August, 1944, p. 90:4.

Handling the Returning Veteran

DISCHARGED servicemen are entering the industrial labor market at a rapidly increasing rate —70,000 monthly, according to a recent estimate. This influx of veterans not only calls for exercise of high supervisory skill but also requires a great deal of understanding and patience on the part of foremen.

Some important facts which supervisors should keep in mind in their contacts with veterans are listed as follows in the foreman's policy manual of the Pitney-Bowes Postage Meter Company, of Stamford, Conn.:

1. Men in the armed forces are subjected to intense training to prepare them for combat. This necessitates development of an entirely new pattern of habits. Don't expect them to pick up where they left off when they got into uniform. No matter how long you have known him, don't expect the man who has seen action to be the same person; to laugh at the same things; to have the same outlook. It's safer to consider him as a new person, a chap you have just met.

2. Men living under stress of anxiety about their loved ones at home and of the rigorous compulsion of military life are apt to do considerable griping. Returning veterans will resort to this same tension-relieving habit when they are back on their jobs. It is important that the supervisor understand what motivates this tendency to express dissatisfaction. When a veteran kicks about something—listen! You'll have to use your own judgment as to the action to take but, whatever you do, don't let him get the idea you're kidding him along.

3. The transition to civilian life is not accomplished by merely climbing into work clothes. The returning soldier feels "different" from the rest of us. He is apt to have an exaggerated sense of separation. You can help him make the necessary adjustment by avoiding any outward action that might make him feel you are pampering him or giving him special consideration. When he is new on the job, he doesn't want to be introduced to his fellow-workers as a "guy who just got out of the Army."

In the case of a veteran with wounds or handicaps of any kind, this is doubly important. There must be no reference made to his wounds, since he wants more than anything else to be thought of as a normal human being.

When a handicapped veteran is assigned to you, the Personnel Department will notify you in advance. One of the first things to do is to talk to your workforce—explain why it is important not to express any morbid curiosity or pity for the newcomer . . . why the veteran is anxious to be treated like everybody else. At the same time, you will have to explain that, while you want to appear not to be treating him differently, you actually will be. While he is undergoing readjustment, you will be lenient with him so far as rest periods and smoking are concerned. Your workers should understand the reason for this special consideration.

4. You will hear and read about veterans who are so-called mental cases—psychoneurotics. The important thing to remember about this type of disorder is that it isn't in any sense a form of

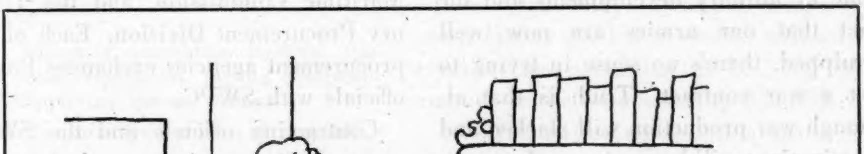
insanity. A psychoneurotic is simply a person who has temporarily broken under the strain of combat or Army life.

There is no way of Personnel's knowing that a man has been discharged because of a mental breakdown. We do give each veteran a psychological examination which is designed to reveal such a condition. (This is done in his own interest rather than for the purpose of rejecting him for employment.) If a known psychoneurotic is assigned to your department, Personnel will discuss it with you beforehand.

5. A veteran who may be a slight mental or nervous case will require special handling. When he is new on the job, let him set his own pace. It will be necessary to repeat directions—perhaps often. But once he gets the swing of things, he will get along as well as anyone.

You will accomplish a great deal with praise. By the same token, watch yourself when you feel it's necessary to correct the psychoneurotic veteran. Reason with him slowly. Don't let your voice or manner betray anger or excitement.

6. The ex-serviceman should be observed closely (without his being aware) for some time after he reports for work. Any unusual behavior or occurrence should be reported immediately to Personnel.



"I'm new here. Would you mind showing me the little thing you push so the words won't run together?"

Production Management

Getting Help from SWPC

THE Smaller War Plants Corporation was originally set up because small plants in general were ignored in the early stages of war procurement. Its original function was to help those companies, but it has greatly expanded its facilities for relief to all small business. With war procurement tapering off, SWPC will turn more and more of its attention to helping small companies with general business problems.

It is a common misapprehension, however, that because of the advanced state of military developments and the fact that our armies are now well equipped, there's no sense in trying to get a war contract. Truth is that although war production will slacken and terminations will become more frequent, *plenty of new government orders are being placed.* Donald Nelson estimated not long ago that about $75,000,000,000 worth of new war contracts would be awarded this year. For some time to come, SWPC will be able to make many war contracts available to small firms.

Do you qualify as a "small business?" While SWPC has defined such a company as one which is independent and which has approximately 500 or fewer employees, it recognizes that the *relative position* of a firm in its industry may in some instances provide a better indication as to its size. If the largest companies in an industry have only 500 or 600 employees, a small plant would be one with only 100 or 200 employees. On the other hand, a firm with more than 500 employees may be considered "small" if the large companies in its field employ thousands, or if it is doing a relatively small percentage of the business of the industry.

To make fullest use of SWPC's services, it will help to understand how SWPC itself operates. Through its numerous field offices it makes an inventory of the facilities of small concerns throughout the country. It has developed a system of informal cooperation with the four major procurement arms of the government—the Army, Navy, Maritime Commission, and the Treasury Procurement Division. Each of the procurement agencies exchanges liaison officials with SWPC.

Contracting officials and the SWPC representatives assigned to them "screen" every unclassified requisition to determine whether any of the products covered are suitable for manufacture by small companies. Within an agreed time, the SWPC representatives recommend plants listed with their offices which are believed capable of handling the jobs involved. Proper geographical distribution is a consideration. The recommended plants are then informed that they can bid on the contract.

It is now definite government policy to give the smaller company a special break in the bidding. *A small firm will get preference, in most cases, even if its bid is as much as 15 per cent higher than the offer of a large company.*

Register with your nearest SWPC of-

fice. To get a favored position on the "war contract list," make out as strong a case as you can along the following lines:

1. Business background and peacetime production experience which in any way fits you for the kind of war production sought.

2. Previous experience in war production.

3. Financial condition.

4. Earning records for a representative number of years.

5. Important customers.

6. Nature of plant—construction, location, age, floor space, land available for expansion, etc.

7. Nature of machine tools and equipment —sizes, types, serial numbers, age, previous use, state of repair, etc.

8. Tolerance to which shop usually works, and closest tolerance to which shop has worked.

9. Nature of assemblage facilities, patents, shop equipment, plating equipment and foundry equipment, if any.

10. Facilities for handling of materials.

11. Power sources.

12. Transportation and shipping facilities.

13. Water supply.

14. Number of idle machine hours weekly.

15. Experience and ability of managerial and supervisory staff, and engineering and technical personnel.

16. Skilled labor employed.

17. Labor history—turnover, strikes, etc.

18. Wage rates.

19. Make-up of personnel—migratory, alien, etc.

20. Available labor supply—competition for labor, prevailing wage rates, etc.

21. Number of shifts operating and length of each; number of shifts which could be worked with available labor.

Explore the possibility of forming a war production association or "pool" with other plants in order to make the most of procurement possibilities. Pooling your facilities may open the door to contracts for war and essential nonmilitary products which you couldn't get as an individual company. To date, 30 pools have been organized through SWPC; 292 individual companies employing 13,576 wage earners have benefited from this procedure.

SWPC is active in furnishing loans to small firms needing working capital. During the reconversion and postwar periods its lending program will be broadly extended.

You can get loans up to $25,000 directly from your local SWPC office. Applications for more than $25,000 will be sent by the local office to Washington for approval. This necessarily involves some delay. Where a company needs money quickly, it should seriously consider the possibility of keeping the amount of the request under $25,000.

SWPC's policy on granting loans is simple: "You can secure financial assistance if . . . your goods are needed for war or essential civilian purposes . . . you have facilities available for production . . . you have proven ability to produce."

In addition to assignment of rights under war contracts, SWPC often requires a first mortgage on real estate, plant equipment and inventory before granting loans. Personal liability of officers and stockholders of a corporate borrower may be demanded under some circumstances. Stand-by agreements are usually insisted upon where any officer or other interested person has a claim against the borrowing firm.

SWPC has the authority to purchase facilities and to lease them to deserving small manufacturers. A small

plant, for example, may need certain additional machinery to complete a contract for war goods. Circumstances may make it impossible for the small company to buy the machinery. If the need for the company's products is urgent, and if there are no other facilities available in the community to do the job, then the SWPC leasing program may swing into action to help out.

The SWPC has also established a Technical Advisory Service to aid small business in solving immediate production and marketing problems. It tries to provide small firms with new technical "know-how" for their present production problems, and with knowledge of merchandisable new products, new processes, and new materials.

From *The Smaller Company after the War* (*Research Institute Analysis 35*), published by the Research Institute of America, 292 Madison Avenue, New York 17, N. Y., September, 1944.

New Type Bench Saves Working Space

A NEW umbrella-type bench, supported by centrally located legs instead of the usual two outside legs placed at regular intervals along the conventional type bench, has recently been developed in the Voltage Regulator Division at General Electric's Schenectady Works. The use of the new benches has resulted in a 30 per cent improvement in the utilization of working space at assembly and testing benches inasmuch as operators may now be placed anywhere along the benches with no interference from those in-the-way legs.

The benches are 2 ft. 8 in. high, 22 inches wide, and are constructed entirely of metal, with masonite coverings over the sheet steel tops. The legs, cut from 3-inch standard channel steel, are each welded to a 4 by 16 inch base and supported by a 4 by 10 inch upright angle cut from ⅜-inch steel plates. Two holes are drilled in each base to accommodate floor bolts. The legs are welded to the table top and supported by means of two ¼ by 1¼ by 8 inch iron straps.

The elimination of half the legs and stringers required for the old type benches, and the reduction in the width of the top, has reduced the cost considerably because only about half the metal is used. The labor cost, too, has been reduced since there is less welding, cutting and bending to be done, and it is of a simpler nature. It is also much easier to keep the area around the benches clean with only half as many legs to contend with.

Tire Conservation

A SERVICE designed to keep workers' cars "rolling" is being provided by a number of industrial plants. Such plants furnish their employees a by-the-year tire conservation service, which includes inspection of their cars while they are at work.

Workers are informed when their tires are under-inflated or over-inflated, or when repairs or recapping are needed. Employees can arrange to have necessary servicing done while on the job. Tire conservation specialists also check conditions in garages or parking areas as well as mechanical irregularities which may cause tire trouble, and they give advice on scrap tire disposal.

Among the plants rendering such service are the Timken Roller Bearing Company and the Hoover Company, in Canton, Ohio: Jack and Heintz, the Cleveland Graphite Bronze Company, and the Thompson Aircraft Products Company, Cleveland; and the B. F. Goodrich Company, Akron.

—*Dun's Review 9/44*

What Is Expected of the Purchasing Agent?

IT requires no statistics to demonstrate that the responsibility of the industrial purchasing executive has increased in volume and complexity under the stress of war production. To what extent his responsibility has changed in character and scope during this period is a question calling for detailed factual study. To this end, *Purchasing* has conducted a questionnaire survey to find out just what purchasing departments are doing and what management expects of the purchasing department in 1944.

Altogether, 1,248 purchasing departments participated in the study. They represent a total annual expenditure of $3,477,894,000—an average of nearly three million dollars per company spent by purchasing departments. The replies were almost equally divided between companies spending a million dollars or less per year and companies spending more than a million dollars. They were well distributed over the country geographically, and well diversified by type of operation as well as size.

For purposes of analysis, the replies were divided into four groups: companies whose purchase volume is one-half million dollars or less; those from one-half to one million dollars; those from one to five million dollars; and those spending more than five million dollars a year. They were further divided according to the companies operating only one plant, and those with one or more branch plants.

The average purchasing staff in companies of the first bracket (½ million or less) consists of 3.5 persons where only one plant is involved and is slightly higher (3.9 persons) where purchasing is done for branch operations as well. There are many instances of the "one-man department" in this bracket.

In the second bracket (½ to 1 million) the purchasing staff averages 5.2 persons for a single plant and 9 persons in companies with branch plants.

In the third bracket (1 to 5 million) the average is 8 persons for a single plant and 9.9 persons with branch plant buying.

Among the companies spending more than 5 million dollars annually, there is an average of 13.3 buyers for one-plant operation, and the number jumps to 28.6 buyers where branch plant buying is involved.

Significant is the ratio of total purchases to total manufacturing cost—the percentage of the "manufacturing dollar" for which the purchasing agent is directly responsible. In the present study, 588 replies (47 per cent) were received to this question, providing the most extensive and authoritative figure yet compiled. There is naturally a wide variation, reflecting the divergent types of industry. The average of all replies is 45.4 per cent as the percentage of total manufacturing cost. The median percentage is just under 40 per cent. This clearly establishes purchases as the largest single factor entering into manufacturing cost.

Of interest as showing the position of the purchasing department in the over-all company organization is the

question of the purchasing agent's immediate superior. To whom is he responsible? The answers are as follows: responsible to president, (partners, directors) 34.3 per cent; general manager, 29.5 per cent; vice-president, 18.3 per cent; financial officers, 7.5 per cent; production executives, 6.4 per cent; other officers, 4.0 per cent. A substantial number of reports show that the purchasing agent himself has a corporate title in addition to his designation as head of the purchasing department.

The important point to be gathered from this tabulation is that the purchasing executive, in a vast majority of cases, reports to those officers of the company who are responsible for management policies and profits, while in relatively few cases does his department come within the jurisdiction of the manufacturing or financial divisions. Centralized purchasing implies an independent departmental responsibility and administration in the general management plan, and the study shows this to be the fact in practice.

Primary object of this study was to determine the purchasing department's functional responsibility in respect to various aspects of the materials problem in manufacturing industry. Ten specific subjects were listed. In order, according to the extent of purchasing department jurisdiction, these are:

Selection of supplier	**Materials control**
Expediting	**Acceptance of deliveries**
Disposition of surplus	**Subcontracting**
Initiating use of new materials	**Traffic**
Inventories	**Inspection**

The handling of priorities was purposely omitted from the questionnaire as an abnormal and presumably a temporary phase.

In 94.9 per cent of the cases, selecting the supplier is the function of the purchasing agent. Sometimes the responsibility is shared. There are 144 cases (11.5 per cent) where some other department has a voice in selections. But in the vast majority of cases, once the material need has been defined, the purchasing department is set up specifically to find the material and to make the decision as to the most advantageous source.

In 85.6 per cent of the companies, expediting deliveries is also the responsibility of the purchasing department. Expediting is not a function to be shared; it is a specific responsibility and must be handled as such. Other departments to which expediting is most frequently assigned are: production, 4.1 per cent; traffic, 2.7 per cent—both predominantly among the larger companies.

The disposition of surplus materials has traditionally been a responsibility of the purchasing department, and in 82.6 per cent of the reporting companies the purchasing department is responsible for surplus disposal.

Of particular importance as industry approaches the postwar era is the initiation and promotion of the use of materials that promise some advantage to the company. The purchasing department is in a strategic position to learn of such materials and to pass the information along. It has long been urged that alertness to such possibilities is potentially the department's greatest asset for service to the company. Replies to this survey show that 77.6 per

cent of the purchasing departments do initiate such suggestions, and this percentage holds in all sizes of companies.

Under limitation orders, allotments, CMP, and other material controls, the need for a definite policy for inventory control has become imperative. Purchasing shares responsibility for inventory control in 68.5 per cent of the companies reporting. There are a large number of cases in which two or more departments are jointly responsible, a considerable number in which inventories are considered a part of production planning or of the more inclusive field of materials control, and a few in which special committees have been set up to consider inventory policy.

The distinction between materials control and inventory control is not always clearly made. Purchasing has or shares the responsibility for materials control in 64.7 per cent of the cases. The figure runs as high as 74 per cent in the smaller companies, but falls off sharply in the two higher brackets. Production, in second place with 20 per cent, shows the same pattern, and is relatively more influential on this point in branch operations than under one central management.

The purchasing department is responsible for acceptance of deliveries, the completion of procurement, in 54 per cent of the companies, ranging from 66 per cent of the smaller organizations down to 46 per cent of the larger ones. Using and specifying departments have a considerable voice in this respect: production, 21.2 per cent; engineering, 18.3 per cent; technical, 9.7 per cent. The over-all percentage in which acceptance follows inspection is 17.6 per cent.

Subcontracting is essentially a purchasing function, since the subcontractor is a vendor. But this is not the only consideration, for subcontracting depends on the prior executive decision of whether to manufacture or buy, and subcontracting is frequently and properly regarded as an adjunct to the company's own production facilities. The percentages shown in this study are: purchasing, 49.2 per cent; production, 15 per cent; engineering, 14.4 per cent; general management, 7.4 per cent.

Among these purchasing departments, 39.2 per cent have some responsibility for traffic. In many cases this is limited to the routing on incoming shipments (purchases), and the percentage is heaviest among the smaller companies, where dual responsibility is more commonly found. The chief responsibility naturally lies in special traffic departments, reported in 45 per cent of the replies.

Inspection, the prelude to acceptance, is for the most part outside the purchasing department, which handles this function in only 30 per cent of the cases. Separate departments for inspection are found in 22 per cent of the companies. By STUART F. HEINRITZ. *Purchasing*, August, 1944, p. 103:4.

• ONE COMPANY employs a unique method for stepping up production on the assembly line. At the beginning of the processing, a red, white and blue tag is attached to each part. The tag, bearing the message "Don't Hold Me Up, I'm on My Way to Win the War," accompanies the part throughout the entire processing procedure.

—*The Hiring Line* (Vol. 3, No. 8)

Marketing Management

Common Sense in Sales Planning

WHILE there are many indications that selling conditions in the postwar era may be radically changed from those to which we have been accustomed, postwar sales planning need not be complicated or mysterious. The postwar program of the sales department should tie in with the aim of the company to merchandise its products at a profit, and it should take into consideration as many of the factors that affect profits as possible. Above all, it should be a common-sense program.

As a preliminary step in sales planning, make a list of the difficulties that lie ahead. Bring out into the open all the ghosts that plague you, and take a good look at them. Many will prove real; some will not. All, however, will be worthy of review and analysis.

The following steps will guide you in devising a workable plan:

1. *Decide on a formula of approach.* First determine the specific problems your plan must meet, and work out a general outline of objectives. For example, will your plan cover selling and marketing only, or will it involve the general activity of departments related to yours?

2. *Review all your recent sales plans.* Take the time, before you worry about a new plan, to go over what you *have done*, and determine how many of your previous selling ideas are still good. Use those ideas, at least in part, as the basis of your postwar program. We are all package-minded and frequently change the package for our products to advantage, but the contents usually remain the same. Why not do the same with your good ideas? And if you have not started a "library" of sales information, start it as you establish your new plan.

3. *Take time to read all you can on the subject of planning.* Collect good articles from business papers. Surround yourself with authoritative books on merchandising and other phases of selling. Frequently a scanning of chapter headings will remind you of various items in your program you want to develop. Reading and study at home will be necessary, and it will be worth while to take a week away from the office to do some constructive thinking. Any keen executive will grant you time to yourself for a job like that. Ask him!

4. *Find out who else in your company is engaged in postwar planning.* Obviously it is desirable for the sales department to correlate its program with those of other divisions of the organization. If top management has already appointed one person to coordinate postwar planning, you are off to a good start. If not, take the initiative in suggesting such action.

In any event, it is logical to sound out other executives on their plans. I have always believed that the sales department should assume leadership in an organization. It can blaze the way on product design, on manufacturing technique, on accounting procedures, on pricing, as well as on its own function.

Get together with your associate executives; talk over postwar plans during lunch. Planning will call for the best brains you can gather around you.

5. *Set up a research department on selling problems.* While our first job is to win the war, we must also plan well for the peace to come. Consequently, it is far from unpatriotic to establish a special department to undertake selling research. Good men are available, and time and care should be taken to form this group. Management must be sold on providing funds to carry on the work. This will involve studies of markets, consumer acceptance of your products, competitive activities, new products, their possible profit, and many other subjects on which you desire facts.

6. *Get your selling tools in shape.* Throughout the war, emphasis has been on quick tooling. Manufacturing has established an enviable record. Why cannot similar fine results be achieved now by our sales organizations? How well will you equip your salesmen for selling new markets? Bring your traditional selling tools up to date; make them currently usable. Make it the definite responsibility of some group to retool for postwar selling.

7. *Decide what training you will give your sales force.* Even in the capital goods industries, many organizations still maintain a sales force. Why not use some of your salesmen's time now for fundamental training either in the field or in home office groups? If the ultimate features of your postwar product are not yet determined, many basic selling points nevertheless could be dealt with to advantage. It is important to start training now, developing a more complete program as time goes on.

8. *Set up a good statistical control department.* An inexpensive plan is to assign this function to the accounting department. However, sales management usually requires more material than an accounting department can supply, and a small but accurate organization is desirable to keep you posted on the facts and figures in your selling program. Go over the records you have now; bring them up to date; and use them as guides in your new plan. Set up adequate visual controls; provide yourself with the means to get a quick all-over picture of important elements in your program. Learn how to interpret facts and figures. And keep only those records you actually use.

9. *Make a preliminary draft of your plan.* It will be the first of many, but get started. Put the plan in such physical shape that it lends itself to modification, improvement and addition. Do not be afraid to subject it to the criticism of top management. And as soon as a step has been approved, take action on it.

There is no mystery to sales planning. It is hard work, and it takes time. It means taking reasonable chances based on all the facts available, but your success in the stiff good markets coming will be determined by the alert, ingenious and common-sense planning you do in the months ahead. BY FREDERICK B. HEITKAMP. *Industrial Marketing*, January, 1944, p. 24:2.

Distribution Cost Analysis

By distribution cost analysis is meant study of manufacturers', wholesalers' and retailers' costs and revenues to discover unprofitable segments of the business. Past studies have shown that an over-all net profit figure often conceals unprofitable commodities, departments, customers and territories that are being carried along by the profitable segments of the business. Existence of the unprofitable business is often caused by unwarranted attempts to increase sales volume. In the eager pursuit of increased volume, manufacturers and distributors quite frequently go beyond the margin of maximum profitability, and take on items, customers and territories that add more to operating costs than they do to revenue.

Elimination of unprofitable segments is not the only possible solution to conditions revealed by cost analysis. Sometimes a substitution of commodities or customers can be made and profits increased without a reduction in sales volume. Sometimes the method of handling can be changed; for example, reduction in the number of salesmen's calls or imposition of a minimum order quantity may turn an unprofitable customer into a profitable one. The cost analysis work itself, especially if done on a continuous or periodic basis, may result in greater efficiency and less waste simply because employees know that controls involving measurement of their work have been established. Revision of prices may also be a solution; it may be possible, either by raising or lowering prices, to increase revenue enough to offset the allocated expenses. However, cost analysis is not by itself a proper basis for pricing, since demand as well as cost must be considered in establishing prices. Moreover, marginal costs rather than the average costs usually employed in cost analysis are the ones that are relevant to the pricing problem.

Despite the obvious importance of knowing which segments of a business are earning profits and which are not, studies deserving the name "cost analysis" are the exception rather than the rule in business. A few years ago the Federal Trade Commission made a survey of the use of distribution cost accounting methods by manufacturers and wholesalers and reported that a very large proportion of the concerns approached had not developed their distribution cost accounting to the point of showing costs by commodities or other classifications. Of 137 companies included in the survey, only two regularly allocated credit and collection expenses to customers or classes of customers, for example. The Department of Commerce has had a similar experience in surveying 94 wholesale grocers, none of whom had made cost studies of the sort under discussion.

The simplest type of cost analysis is that in which the direct expenses of a territory, customer group, or department are charged against the gross margin derived therefrom. Frequently it is found that the earnings do not even cover those direct costs, which are incurred solely for the segment of sales in question. Clearly the firm would be

better off to drop such territories, customers or departments, unless a very good case can be made for their future prospects or their necessity to the remainder of the business. For those firms that do not even know their gross margins and direct costs by major segments of their business—and there are many such firms—this calculation is certainly the first step in cost analysis. Even if no further refinements are attempted, extremely valuable results may be yielded by this comparison of direct costs and gross margin.

The problem becomes more complicated where there are few direct costs, as is the case with individual commodities in a retail store, or where the direct costs are being covered and the question arises as to whether the earnings in excess of this are adequate. The question here is not whether the segment should be simply eliminated—for it is covering its direct costs and making some contribution towards general indirect costs—but whether the contribution is as great as would be made by some alternative use of the same facilities. The problem is really one of substitution rather than elimination.

Full-cost allocation is difficult. It involves finding some basis on which to allocate *each* expense, and the keeping of separate records of these allocation factors. For example, in some systems you must keep records of the number of invoices and returns, number of transactions, telephone orders, truck miles, mail solicitations, letters, postings, cubic space occupied by commodities, amount of selling time, etc. The sheer job of making the calculations after all these data are assembled is considerable. It is quite possible that the amount of work involved in this type of analysis has frightened off many potential cost-finders.

A second objection to full-cost allocation is that it is to a large extent arbitrary. How much of the manager's or owner's time is devoted to commodity X or territory Y? How much of salespeople's salaries are chargeable to selling a particular item? How much of the advertising cost should each customer bear?

In view of those objections to full-cost allocation, let us consider the technique of partial allocation. The problem immediately arises, of course, of *which* expenses should be allocated. One answer to this is furnished by what may be called the "limiting factors concept." To illustrate this, suppose we ask the question, "Why does a retailer not add any item that carries any markup?" The question is not so implausible as might at first appear. In a retail store there are few, if any, expenses directly related to any individual item. It is difficult to see how any extra expense would be incurred by adding an extra item. Why not, then, take on anything that will yield any gross margin? Up to a point one might do just that, but it is apparent that there is a limit to this process. In the typical retail stores these limits are chiefly ones imposed by space and capital. While there may always be room to crowd in another item, and while credit is almost always somewhat expandable, the fact is that most stores work pretty close to the limits of effective display space and reasonable capital and credit utilization.

Labor, on the other hand, is usually not used to capacity. According to the Bureau's *Distribution Cost Study No. 2,*

for example, 31 per cent of the clerks' time in one stationery store was idle time.

On these grounds, the expenses that should be charged to commodities are rent (or occupancy) and interest expenses. The charge is a measure of the amount of use the item makes of the scarce or limiting productive factors—use which prevents some other items from being carried. No other expenses are charged to commodities, because the other expense items are not utilized to capacity, and their use by an individual commodity does not prevent the handling of other commodities.

* * * * * *

It is to be expected that in the post-war period many distributive firms will make cost studies of their own operations. Much has been heard about how "tough" competition is going to be. Certainly there will be new emphasis upon greater efficiency in the distributive process, and firms that want to keep pace will be forced to re-appraise their operations. Dislocations in dealer systems and customer and product relations caused by the war will also necessitate fresh decisions in respect to many aspects of the company's market. Cost analysis will help provide the answers to some of these problems. BY E. R. HAWKINS. *Inquiry Reference Service*, Bureau of Foreign and Domestic Commerce, U. S. Department of Commerce, July, 1944.

"Project Credit Plan"

A SUBSTANTIAL percentage of returning servicemen will be men who have had some prior experience in various fields of endeavor. These veterans, as well as proprietors of small enterprises who have closed their businesses to help production on the home front, must be helped to help themselves. Since many of them will have little or no means at their disposal, the first thing they will require is credit. To provide such credit is the purpose of a "Project Credit Plan" devised by United States Plywood Corporation.

Here is how the plan works:

If a man satisfies the corporation that he is of good character, and possesses or can command some skill in the use of its products, he is permitted to seek contracts from approved customers. He is then provided with the merchandise and, if necessary, the money needed to meet his payroll. The amounts to be involved and the number of jobs he may take depend upon the company's judgment of his ability and of the soundness of his projects. The help and advice of staff architects and engineers are provided by the company without charge.

Thus the man will have materials with which to work, money to pay his labor, and an assurance that he will come out with a profit if the project is handled efficiently. Once a contract has been secured, the customer makes payments direct to the contractor as the work progresses, and the company estimates the portion of each payment which must be returned to it to cover the materials supplied and the money advanced.

The contractor acts as the company's agent in collecting such sums, having executed an assignment form with it. To avoid embarrassment to the contractor, the assignment is not revealed to his customer, as it might interfere with his ability to get work in substantial volume. There is some doubt of the legal validity of such assignments if not immediately presented to the customers, especially as some business houses stipulate that no assignments may be made, but that is a chance which the company is willing to take because it has been found that the percentage of those who violate this type of agreement is small.

The "Project Credit Plan," incidentally, has been operating effectively since the depressions of the 1930's, when many of the corporation's smaller accounts were unable to function.

Writing Salesmen's Contracts

MODERN higher courts have outlined certain well-defined legal rules for writing employment contracts with salesmen. The sales manager should possess authentic information regarding court decisions on salesmen's authority, normal liability of an employer for acts of salesmen, and illegality of other provisions because through this knowledge unnecessary and illegal clauses in salesmen's contracts may be eliminated.

First, an employer is liable for the acts of a general agent, while, under the same circumstances, he may not be responsible for the acts of a special agent. A general agent is an employee who has *general authority* to act for his employer in the conduct of business. A special agent is one authorized to act for his employer in a limited capacity. The higher courts have consistently held that an order taken by an ordinary salesman is not a valid contract until his employer, or sales manager, acknowledges or accepts the order. However, in a recent case the higher court held that a valid contract is completed, even though the seller does not accept an order taken by a salesman, if the contract of sale involves merchandise which must be manufactured especially for the purchaser. The moment a seller begins the manufacture of special goods, a valid contract is completed, even if the seller does not accept or acknowledge the order or contract taken by the salesman.

It must be remembered, when writing a salesman's contract, that a salesman may be transformed into a general agent, making the employer liable for all contracts of sale made by him. This situation arises when the employer supplies the salesman with a letter or contract stating that the salesman has authority to enter into binding contracts. In another situation, having the same legal effect, a salesman's employer in the past customarily accepted and approved *all* contracts made by a salesman, and shipped merchandise without acknowledging orders. When the testimony proves that he is a partner in the selling firm, a salesman also has authority to make valid contracts. The salesman or other employee automatically becomes a general agent if the employer does anything to cause the prospective purchaser to believe that the salesman has unlimited authority. Obviously, an employer may assume responsibility for all contracts made by salesmen by informing prospective purchasers that the salesman has authority to complete valid contracts of sale.

It is important to know that modern higher courts consistently hold that the acts, promises or statements made by a seller to a purchaser are most important when determining whether a salesman may make a contract which binds the seller. Therefore a written contract may specify that the former has no authority to make binding contracts, but this testimony will not relieve the employer who has performed any of the above acts which entitled the purchaser to believe that the salesman acted as a general agent. For this reason, the only benefit of including a clause of this kind in an employment contract is that if the

salesman violates the contract, he may be liable personally for financial losses sustained by the employer as a result of a breach of contract.

An employer is always liable for false statements made by a salesman, whether or not the salesman was authorized to make the contract in controversy. If a salesman has expressed or implied authority to make valid contracts, or his employer approves a contract, the employer is fully liable for false statements made by the salesman. No clause in the salesman's contract will relieve the employer from liability for a salesman's fraudulent promises, statements or guarantees.

A seller is *not* liable for fraud if evidence proves that: (1) the seller or his salesman made a false statement *after* the contract was signed; (2) the seller or his salesman did not know the quality of the merchandise was not the same as claimed in the sales contract, but merely expressed *an opinion* that he believed the quality to be as represented; (3) the purchaser did not rely upon the statements made by the seller's agent.

Employment contracts which specify commission payments to salesmen should be carefully formulated. If, for example, the contract provides payment of stipulated commissions on all orders taken by the salesman, the employer is bound to pay commissions, although the orders are not accepted. Moreover, the employer may be compelled to pay commissions on merchandise delivered but not paid for. Therefore clauses which clearly specify payment of commissions on all orders accepted by the employer *and paid for by the purchaser* may protect the employer against future suits.

When a salesman is permitted to draw $50 a week against his commissions, overdraws his commission account, and then leaves the employment, he is not a debtor of the employer unless the contract contains a clause which indicates that the salesman intends to pay back to his employer money overdrawn on his account. Employers may avoid losses from this source by inserting in the salesman's contract a clause as follows:

> It is understood that any and all advances and loans made to said salesman by said employer are debts of the salesman, and said salesman hereby agrees to repay said employer the amount of said advances not earned in commissions on sales made by said salesman, in accordance with the provisions of this contract.

Different law is applicable to bonus and pension payments. Higher courts consistently hold that a salesman cannot compel an employer to pay pensions for life, after the salesman has served for a specified number of years, although the employment contract contained a clause whereby the employer agreed to pay a stipulated pension. However, an employer is fully liable for paying a salesman an agreed bonus, since the courts consider a bonus on exactly the same legal plane as commissions and salary.

It is true that it is advantageous to employers to sign employment contracts containing clauses which limit or restrict future employment of a salesman. Such clauses are valid in a majority of states, provided the time during which the salesman agrees not to accept employment with competitors is not over five years and the specified territory is no larger an area than that which the

salesman formerly covered. For such a contract to be valid, it must be signed before the salesman is employed. In other words, when a salesman signs a contract after he has started to work for his employer, the contract is void because the employer does not agree to do something as a basis for consideration.

It is unnecessary that a salesman sign contracts in which he agrees not to divulge confidential information, lists of customers, etc., since no court will permit a salesman or other employee to utilize confidential information of a former employer. However, if a salesman has not signed a valid restrictive contract, no employer may restrict him from soliciting business from his former employer's customers while he solicits business *generally* from ordinary and commonplace prospects.

All employment contracts should definitely state beginning and end of employment. Higher courts hold that when a salesman is employed for a specific period of time his employer is liable in damages for failure to fulfill the terms of the contract.

A contract for a definite period is automatically extended for the same period if the employer fails to notify the salesman before expiration of the contract that he does not intend to renew it. Numerous salesmen have secured heavy damages on the error of employers who believed that after expiration of a definite contract salesmen might be discharged at any time. BY LEO T. PARKER. *Sales Management*, March 15, 1944, p. 80:5.

Salesmen's Expenses During Training

WITH V-E Day getting closer, a number of companies are beginning to train groups of salesmen so that they will be ready for early resumption of civilian selling. That seems smart.

What is to be the policy on paying the expenses of these new salesmen during the period of training—that is, when they are brought in from the territories for group training at some central point?

There seems to be no standard procedure. One large employer pays the salesman's travel expenses and hotel bill only. He figures the salesman would have to eat no matter where stationed, so requires the salesman-in-training to pay for his own meals, laundry and incidental expenses.

Another company, we find, pays all expenses incurred by the salesman. This firm takes the position the men are employed as salesmen and are entitled to the same expense allowances they would get if they were on a trip for the company. In other words, the salesman-in-training gets an open expense account.

Still another company pays the salesman's travel and hotel expense, and allows each man a flat $20 a week out of which he must pay his meals and incidental expenses. In all three cases, of course, the salesman gets a salary during the training period, which usually lasts about a month.

Under prevailing conditions there is a certain hiring advantage in making the compensation during training attractive. But there is also the danger of some applicants overselling themselves for the same reason. That is not so good. It might result in a high turnover of these new men, and make the whole training program too expensive.

—Dartnell News Letter

Packaging

Weatherproof Solid Fiberboard

THE weatherproof solid fiber container manufactured today for use in overseas shipment, the so-called "Victory Container," is deservedly regarded as being far superior to prewar containers in serviceability and in resistance to failure when wet. Further improvements in the strength and rigidity of fiber containers are, nevertheless, highly desirable to afford greater protection to the contents. An investigation of some of the factors influencing the strength and rigidity of solid fiberboard to be used in such containers, now in progress at the Forest Products Laboratories, is particularly concerned with the properties of the board in the water-soaked condition. Following is a summary of the results thus far obtained:

Commercial weatherproof solid fiberboards of the V-type have been evaluated particularly for rigidity (bending modulus) and resistance to failure at the score (Carlson score-strength number), before and after immersion in water for 48 hours, and for water absorption. The V-boards, after immersion, had values for bending modulus and score-strength number that were 25 to 30 per cent of the dry values. V1S board showed score-strength numbers twice those for V3S boards but had the same bending modulus.

The best experimental boards, made from either commercial jack pine or southern yellow pine kraft pulps, were, when wet, twice as rigid, three times as strong in score-strength, and, at equilibrium, absorbed from 25 to 51 per cent less water than did commercial boards having the best values for these properties. Furthermore, all these improved properties were obtained in individual boards, whereas the respective best values used for comparison were each found in different commercial boards. The improvements were the result of employing a wet-strengthening treatment, the use of a greater number of individual plies having higher dry strength than those used in the commercial boards, and the consequent increase in the amount of water-resistant adhesive used in laminating the solid fiberboard. By F. A. SIMMONS, J. N. MCGOVERN and C. O. SEBORG. *Packing and Shipping*, August, 1944, p. 7:4.

Postwar Outlook for Frozen Foods

"WHEN frozen foods distribution, especially of nationally advertised standard package goods, develops in display methods, brand supplies, and advertising acceptance to a point justifying the widespread publicity which has been given to it, then grocers will be assured of a fair profit on these products and frozen foods will be a sound phase in the food merchandising industry." This statement, of pertinent interest to wholesale and retail food dealers, was made in an article which appeared in the July 3 issue of *Air Conditioning & Refrigeration News*, quoting F. F. Duggan, manager of refrigerator sales division, Edison General Electric (Hotpoint) Appliance

Co. It accompanied results of a survey conducted among 5,000 locker plant operators, which indicate that 80 per cent, or 4,000 of them, will retail frozen food cabinets in postwar. Seven per cent, or 356 of these plants, retailed frozen food lockers in prewar. Story adds that wartime production curtailments stopped what appeared to be a budding major appliance market, but that actually so few home freezers had been sold that their importance as a home food-handling factor had been greatly exaggerated.

"Field investigations among retailers have shown that they have not profited by the sale of frozen foods in proportion to the publicity given the industry, nor in proportion to the efforts they put forth to stock the merchandise."

The postwar outlook for frozen food supplies was cited as including these factors: (1) local locker plants which will process and package locally grown products; and, where these plant operations are extensive, centrally located grocers in shopping areas as outlets for their products; (2) widespread distribution to food retailers of nationally advertised brands in large packages suitable for long-time home storage; (3) new specialties for home eating, such as famous dishes from widely-known restaurants, and frozen specialties of other kinds not now available for home consumption, opening a new market for food stores; (4) the joining of the movement by major appliance manufacturers, bringing advertising and merchandising pressure as well as their thousands of long-established outlets for commercial freezing cabinets and home freezers, which will make possible better display of merchandise in stores and supply a large segment of the public with facilities for storing the food they will purchase.

—Packaging Parade 7/44

Proving Ground for Packages

NO matter how good General Mills products may be when they leave the mills, the company knows they're only as good as they will be on the future day when some housewife opens the package and begins using the contents. Thus package testing is one of the most important activities of General Mills.

The General Mills products control department has developed and perfected many different packages, working with the manufacturing, research and purchasing departments continuously to provide new and better packages—packages which will keep foods fresher and retain their flavors better than ever before. This constant effort to improve has led to many important General Mills war contributions, such as packages for dehydrated eggs shipped overseas under Lend-Lease and special packages for Army rations.

At the company's two executive laboratories (Minneapolis and San Francisco) packages and other containers are subjected to simulated weather and other conditions comparable to those found in every part of the world. Package reaction to extremes of heat, cold and moisture are watched closely. In sections of the laboratories it is possible to simulate jungle conditions where the temperature is high and the relative humidity is 90 per cent, just short of rain. The containers have to stand up under these conditions.

But package control does not stop even there. Salesmen calling on trade in every section of the country from time to time buy up packages to be sent to the laboratories for content analysis. This provides the supreme test, and the samples tested have to prove that the packages can take it.

During the past year the 22 plant laboratories and two executive laboratories ran nearly 1,500,000 individual tests, and the current monthly number is proportionately greater.

—Sales Management 8/15/44

Financial Management

Postwar Financial Policies

THE war has brought about some fantastic changes in balance sheets of many corporations. Let us consider the statements of a few companies showing the relationship between their net working capital and their total current assets, net working capital being the difference between current assets and current liabilities:

One company with approximately $61,000 of net working capital has current assets of $481,000. A loss of 12½ per cent in current assets through receivables, through inventory, or through operations would wipe out this concern's current position.

Another company has $39,000 of net working capital, with working assets of $8,900,000. Here a loss of less than one-half of 1 per cent in working assets would eliminate net working capital.

Under present conditions, it is not at all unusual for the net working capital of a corporation to equal from 15 to 20 per cent of current assets.

Situations like these are fraught with danger and call for carefully developed financial policies. The same can be said with equal emphasis of companies which have been able to maintain more conservative balance sheet relationships. The imponderables of the future are so great that every corporation, whether its current position is inflated or not, should immediately lay plans to meet problems which will accompany adjustment to peacetime conditions.

The over-all, dominant, No. 1 financial policy—the policy toward which all other policies should be bent—should be to establish an unusually strong and liquid working capital position and to maintain that position until we are through these years of uncertainty.

If this over-all policy is accepted as one which should be adopted, certainly now is the time to begin its operation. An objective such as this cannot be attained by armchair tactics. A corporation might take some or all of the following steps to strengthen its working capital position:

Sell on as short terms as the industry will permit.

Review carefully the credit rating of customers, not only in terms of present-day conditions but in terms of conditions which may exist when we return to peacetime production. Only recently, an instance came to my attention where a corporation was extending about $90,000 credit to a company with a net worth of $2,000. Wartime conditions and the fact that practically all the company's product is being sold to the United States make the credit reasonably safe as long as things continue to "click," but the picture might change rapidly under adverse circumstances.

Many concerns have allowed their credit staffs to disintegrate, but no company can afford to lose sight of the fact that terms of sale and the credit rating of its customers are of prime importance in maintaining a strong liquid position.

Give careful attention to inventory

which is being accumulated. A physical inventory should be taken at regular intervals. I recently learned of an instance where, when a physical inventory was taken, the inventory was found to be greatly overvalued on the company's books. This was attributed partly to inexperienced help and partly to high turnover. That inventory should be kept at the minimum figure commensurate with efficient operation seems plausible under present conditions.

Dividend policies should be reviewed in the light of the objective of building a strong working capital position. Are they such as to permit the corporation to build reserve power?

The speed with which terminated contracts are settled will be a matter of prime importance with many companies. What would be the condition of your corporation if all its war contracts were canceled today? There are three steps which a corporation may take to protect itself against such an event:

1. Obtain a "V" or "VT" loan. This would enable the corporation to realize on inventory and receivables in the event of cancellation.

2. Establish a department for handling termination claims or, if the company is too small to warrant a department, put an officer in charge of this work.

3. Assure itself that there are proper provisions in its sales contracts to give the corporation adequate protection in the event of cancellation.

Contingent liabilities should be ferreted out and provision made for settling them during the war period. These liabilities often mount to substantial figures. In most instances, they are expenses permissible under present income tax requirements. A few examples of contingent liabilities which might be investigated are:

Rebates under OPA ceiling prices. If a company makes rebates prior to renegotiation, the rebates may be included in the computation of profit. If they are made after renegotiation, adjustment is doubtful and at best envisions a long and tedious journey.

If a customer (a prime contractor) operates on a cost-plus-a-fixed fee basis and your corporation (a subcontractor) increases its prices, it must be shown that new consideration has passed to the government before the increases will be permitted. What often happens is that invoices are paid but rebates subsequently are required by the government when claims are audited.

Expense of supplies which cannot be readily assigned to specific contracts should be written off as incurred. Oil and grease come in this category.

At least 85 per cent of a company's tax and renegotiation liabilities should be offset by tax notes or other government obligations.

If a corporation is one of those which will need additional machinery to enter peacetime production, it should consider carefully the relative merits of procuring funds from each of the four sources usually available.

The first of these is company cash. New equipment should be paid for out of company cash only if, after the payment, the company would continue in an unusually strong and liquid current position.

The second method whereby funds might be acquired for the purchase of fixed investments is by borrowing, either on a term loan from a lending in-

stitution or through a bond issue. In such cases, the maturity of the loan or bonds is of prime importance. Such financing should extend over the life of the equipment purchased.

The third method of acquiring funds for fixed assets is to issue preferred stock. As against loans, the issuance of preferred stock normally would be more expensive. However, if a company is in an industry which has widely fluctuating volume and earnings, preferred stock financing is more conservative than borrowing, even though the cost might be greater. Any preferred stock should be callable at a reasonable figure at the option of the company.

Any company which contemplates financing either through borrowing or the issuance of preferred stock within the next two or three years should consider the merits of financing in present markets, even though the funds will not be used immediately. Bond yields are as low as they have been at any time, certainly, in recent years. Rates for term loans are not quite so low as they have been but are still well down the scale. If the new funds are not to be used immediately, they might be placed in short-term government obligations to offset part of the interest charge.

The fourth and final method of acquiring funds with which to purchase fixed assets is through the issuance of common stock. This phase of financing should not be overlooked, although present market conditions are not so favorable to this method as they are to the issuance of preferred stock or debentures. By REUBEN B. HAYS. *Postwar Financial Policies of Business Enterprise* (Proceedings of a conference sponsored by The Economic and Business Foundation, New Wilmington, Penna., April 13, 1944), p. 13:9.

A Credit Bridge to Reconversion

THE need for working capital for industry was one of the major problems created by the transition from peace to war in 1940-1942; it will again be a problem of first importance, in the opinion of business economists, as the transition in the reverse direction gains headway in the coming months.

In this situation both the field warehousing industry and bankers who have been attracted into such financing in recent years see new opportunities for further expansion and increased popularity for this comparatively new, but now strongly established, institution. They find a sound basis for this view in the fact that it was during the transition into war production in 1941 that field warehousing made its greatest strides and reached what up to now has been its maximum growth.

A typical example of how field warehousing can facilitate reconversion is provided by a firm which has been manufacturing pumps for the government. This company is looking forward to an early cessation of its wartime activity, though it cannot know whether this is weeks or months away. On the advice of the commodity loan officer of its bank, it recently entered into a contract with a national field warehousing

company under which the latter agrees to warehouse its inventory if its war business suddenly stops. The contract is a costless one to the firm, incidentally, until and unless it decides to avail itself of the contract. It is, in other words, a precautionary move designed to insure the company of working capital when and if the need arises.

The working capital problems which have caused many concerns to turn to field warehousing are by no means all the same kind. Many of them stem from special situations. For example, there is the case of a magneto manufacturer who has been turning out standard items during the war, most of them for the nation's big prime contractors. War production is now tapering off, and reconversion is near at hand. But the company has been using machinery of which the government is the principal owner, and it wants to take over full ownership for peacetime production. It has made a satisfactory arrangement with the government to pay for the machinery over a period of time, but these payments have the effect of reducing its available working capital. Hence it has decided to raise cash by warehousing its inventory.

Some bankers, while admitting that this is an important potential field for warehouse lending, believe that a greater demand for such credit lies in the probability that many firms will want to buy raw materials out of government surpluses when their war production is terminated. A fair idea of the possibilities in this direction may be gathered from figures just released by the Department of Commerce which show that war inventories held by all manufacturing firms at the end of April had a value of $10,000,000,000. Of this total, $7,700,000,000 represented raw materials and goods in process.

The government, through the Army and Navy and other departments associated with the war effort, has been releasing supplies and materials for some time at a rate perhaps little realized by the general public. These sales, which include not only such stockpiles as wool but literally thousands of items bought in larger quantities than were needed for the military forces, are strictly for cash, which means that purchasers must lay money on the line if they want to stock up for civilian production from this source.

In quite a few cases this has been done through field warehousing the products and obtaining a bank loan on the warehouse receipts. Purchases thus financed have ranged from such items as $100,000 worth of rubber goods to 10 cars of raisins. As in the case of contract terminations, of course, this disposal of war materials, though already sizable, is still only a small fraction of what it may be expected to become later.

The characteristic which distinguishes field warehousing from ordinary terminal or storage warehousing, and which has been largely responsible for its growth of popularity, is the fact that in terminal warehousing the goods must go to the warehouse, whereas in field warehousing the warehouse goes to the goods. The inventory, whatever its nature, stays right where it is. It is turned into liquid collateral without the necessity of hauling it at a considerable cost to a distant part of the town or even a distant city. By Edward H. Collins. *Banking*, August, 1944, p. 28:3.

Preventing a Postwar Inflation

NOT only during the remaining months of the war but until reconversion is relatively far advanced, the danger of a runaway price rise will continue. Business men, who have a vital stake in economic stabilization, will be interested in a new edition of a Government "program book" which discusses this important problem and tells what the individual citizen can do to help hold prices down.

Thus far in this war the nation's efforts to prevent a runaway price rise have been relatively successful. In the first five years after the outbreak of World War I, Bureau of Labor Statistics figures indicate that the cost of living rose 73.2 per cent. In the first five years of this war, the rise was held to 28.1 per cent. Most of this rise occurred before the introduction of effective controls. In the 15 months since the President's "Hold the Line" Order (April, 1943) the BLS Index has advanced only 1.8 per cent.

However, the danger of an uncontrolled price rise continues. Government figures indicate that the 1944 inflationary gap—the difference between the income left in people's hands after the payment of taxes and the available supply of goods—amounts to $35 billion. In addition, of course, people have unprecedentedly large liquid savings at their disposal which might be poured into the marketplace if an inflationary psychology developed.

Rapidly rising prices, the program book points out, would have an adverse effect on war production because they would create uncertainties and make advance planning difficult. They would cause discord among various groups at a time when there is the greatest need for national unity. They would spell immediate hardship for the 20 million persons dependent on relatively fixed sources of incomes, including the wives and children of millions of our fighting men.

The program book calls attention to a fact that many people have forgotten: More than 40 per cent of the rise in living costs experienced during the period of the First World War occurred *after* the Armistice. Many business men will, of course, have vivid memories of the economic developments of that era. It will be recalled that toward the end of World War I there was a general expectation of deflation—an expectation which appeared to be confirmed by the price declines witnessed in the months immediately following the Armistice. The relatively feeble price controls which had been developed during the war were relaxed rapidly.

In the spring of 1919, however, a boom began which led to a very rapid price rise. Frantic efforts were made to revive some of the wartime price control agencies, but most of these were unsuccessful and the belated efforts to stem the advance failed. The boom ran its course and culminated in the 1920-21 depression.

In the present period, too, the danger of rising prices will not cease with the defeat of Germany and possibly not even with the defeat of Japan. It will continue until civilian production is resumed in sufficient volume to satisfy pent-up demand. Recent Government estimates indicate that while the inflationary gap will be greatly reduced after the defeat of Germany, it will still amount to approximately $20 billion—a sizable enough amount to cause plenty of mischief.

Business men desirous of supporting the Information Program on Economic Stabilization through articles in their plant publications, advertising, or any other means, may be interested in reading the program book on the subject, which may be obtained by writing the Office of Program Coordination, Office of War Information, Washington 25, D. C. An auxiliary program called Planned Spending and Saving has also been developed by the Office of War Information, and this program book, too, can be obtained upon request. The Planned Spending and Saving Program will be summarized in a brief item in next month's REVIEW.

Insurance

Postwar Problems in Casualty Insurance

THE so-called postwar problems in casualty insurance are not confined to conditions which are anticipated after the termination of war. They include problems arising out of the conduct of the war and resulting from modifications or removal of wartime restrictions. Probably there should also be included developments in coverages and in rating procedures which have been deferred bcause of wartime conditions.

AUTOMOBILE LIABILITY

At the present time, in order to determine the rate to be charged for liability insurance on a private passenger automobile, it is necessary to determine the class of gasoline rationing book issued for that car.

Premium Basis. If gasoline rationing were to be abolished tomorrow, there would be no basis for determining the premium. Before rationing is abolished, it will be necessary to establish some different basis of classification for private passenger cars. The present basis of rating recognized that the hazard is dependent in part upon mileage. Whatever classification system is established, it should recognize the more important elements of difference among private passenger cars, including this question of mileage and also the ages of drivers.

I do not advocate basing premium on actual mileage nor varying rates by the age of the owner. We do know, however, from past records that drivers under 25 account for a disproportionate share of accidents; that cars which operate less-than-average mileage in general represent a better-than-average hazard, and that cars which develop abnormally high mileage in general also develop abnormally high loss costs.

The basis of rating private passenger classifications after the war should take these variations into consideration.

Commercial Cars. While we are on the subject of classification, mention might also be made of the difficulty in practice of determining load capacity of commercial cars for rating purposes. One solution that offers promise is a proposal to rate commercial cars on the basis of the nature of the business of the assured without regard to load capacity.

Rate Level. Factors which as yet are speculative will affect the rate level. It will be dependent on whether gas rationing is to be eliminated or merely liberalized; whether the automobiles themselves will be in poor mechanical condition, or whether new cars will have been made available in quantity before the end of the war; whether highways will have deteriorated to such an extent as to affect the hazard appreciably; etc.

Coverage. Revision of the classification of risks is but one of a number of developments which may be expected in the automobile field. From inception, the assured has been sold separate coverage for automobile bodily injury liability and for automobile property damage liability and has paid separate premiums for those coverages. There

is no sound reason why this must be so. A loss of $5,000 to an assured has the same effect upon his financial status whether that loss results through his scattering over the highway $5,000 worth of property or $5,000 worth of pedestrians. It would seem to be in the interest of the assured and in the interest of economy of operation for the companies to sell automobile liability insurance without attempting to differentiate between bodily injury liability and property damage liability. The company could insure the liability of the policyholder subject to prescribed limits. Consideration also might well be given to the use of a single limit of insurance in lieu of the present practice of establishing one limit per claim and another limit per accident.

WORKMEN'S COMPENSATION

Judging from the experience in workmen's compensation insurance during the past 25 years, it is difficult to become enthusiastic over the postwar prospects in this field. We have been going through a period of rate reductions, and the regular experience compilations for the next two or three years will continue to reflect abnormally high payrolls. It seems almost inevitable that during the period of postwar adjustment substantial increases in workmen's compensation rates will be required in order to avert underwriting losses.

If we encounter a period of substantial unemployment, we may expect the worst. Under such conditions, rates based upon full employment at high wage rates will be found seriously inadequate. This problem in compensation insurance is not a new one but, up to the present time, no satisfactory solution to it has been found. When these adverse conditions are encountered, it is inevitable that there will be requests for rate increases to meet the abnormal conditions. If those are granted, it may be anticipated that the carriers will be able to continue to write the business; if not, then we may expect to see carriers curtailing their operations in this line and possibly in some instances withdrawing from the field.

During the war, a number of risks which heretofore have been self-insurers for workmen's compensation, and not infrequently for other forms of insurance also, have been insured under the war projects rating plan. It is to be expected that after the war these risks may seek a similar type of rating procedure including the gradation of expenses. If such facilities are not available, it may be anticipated that many such risks will revert to self-insurance.

LIABILITY OTHER THAN AUTOMOBILE

Liability insurance has been less drastically affected by the war than have workmen's compensation and automobile liability insurance.

Those forms of coverage for which payroll is used as a basis of exposure are subject to fluctuations in premium arising from payroll fluctuations just as in workmen's compensation. Losses on those forms of coverage may be expected to be influenced by general price increases but are not directly affected by wages, as in the case of workmen's compensation.

Those forms of liability coverage written on the basis of fixed exposures may be expected to show relatively small variation in premium volume fol-

lowing the war. It may be expected that losses also will show relatively less variation, assuming no substantial increase in the degree of inflation.

The growth of comprehensive liability coverage may be expected to lead to a demand for the simplification of exposure bases. This could be expedited by the application of the principles of retrospective rating to this class of business.

ACCIDENT AND HEALTH

It appears probable that unless some form of accident and health coverage, including a medical benefit, becomes generally available, there may be a widespread demand for a government-operated form of insurance of this character. If such a form of insurance is to be sold generally, means must be devised for handling the business on some basis other than individual policies. It is quite possible that this could be accomplished by selling the insurance through employers on a payroll basis.

AIRCRAFT

There have been many forecasts with respect to the development of aviation after the war. Some of those forecasts appear to be a bit fantastic, although time alone will determine whether that is so.

Popularity. A recent statement from the U. S. Department of Commerce predicted that 500,000 planes would be flying in this country by 1950. Of that number, it was estimated that there would be 441,000 private planes, 50,000 military planes, and 9,000 transport planes.

Coverage. The use of private planes, to whatever degree they are employed, is going to lead to demands for liability insurance, and it may be expected that the extensive use of such planes may lead to demands for compulsory liability insurance. The insurance of private planes does not involve the catastrophe hazard which exists in connection with the insurance of commercial planes and, therefore, it appears more feasible for such business to be written by individual companies. BY CHARLES J. HAUGH. *The Casualty & Surety Journal*, August-September, 1944, p. 15:6.

Labor and Employers Cooperate in Safety Drive

THIRTY years of organized safety work have resulted in the development of safety organization methods and accident prevention techniques which can be used successfully by almost any firm, Secretary of Labor Perkins said in praising labor and employees for their cooperation with the Labor Department in its safety campaign for a million fewer accidents in the next 12 months.

The goal represents a reduction of some 40 per cent in the 1943 total of industrial accidents, according to Bureau of Labor Statistics' preliminary estimates. Specifically it will mean life to 7,500 workers, whole bodies to 44,000 more, and 948,000 other workers saved from temporary incapacity.

A certificate of merit, signed by the Secretary of Labor in behalf of the Department and the National Committee for the Conservation of Manpower in War Industries, will be awarded to all plants or production units which succeed in producing during either of the two six-month periods, July 1 to December 31, 1944, or January 1 to June 30,

1945, an accident-frequency rate which is at least 40 per cent less than that for the corresponding period of the preceding year.

Establishments wishing to qualify for the certificate should submit to the Department through the National Committee representative in their area a statement of the comparative frequency rates. The award will be made after the statement has been checked by an agent of the Committee. Where the statement is submitted jointly by plant management and a representative of the local union, the certificate will be made out to both management and the union, with a copy to each. The award is open to any industrial establishment with an average minimum employment of 100 during the six-month period.

The Department of Labor will assist in the campaign in two ways: First, by stimulating general interest in the goal through such media as radio and press information and printed material explaining the goal and the award; and second, through the services of the National Committee in assisting individual plants in the attainment of their own goals.

—*Labor Information Bulletin* 7/44

STATEMENT OF THE OWNERSHIP, MANAGEMENT, CIRCULATION, ETC., REQUIRED BY THE ACTS OF CONGRESS OF AUGUST 24, 1912, AND MARCH 3, 1933, OF THE MANAGEMENT REVIEW, published monthly at New York, N. Y., for October 1, 1944.

State of New York }
County of New York } ss.

Before me, a Notary Public in and for the State and county aforesaid, personally appeared James O. Rice, who, having been duly sworn according to law, deposes and says that he is the Editor of THE MANAGEMENT REVIEW and that the following is, to the best of his knowledge and belief, a true statement of the ownership, management (and if a daily paper, the circulation), etc., of the aforesaid publication for the date shown in the above caption, required by the Act of August 24, 1912, as amended by the Act of March 3, 1933, embodied in section 537, Postal Laws and Regulations, printed on the reverse of this form, to wit:

1. That the names and addresses of the publisher, editor, managing editor, and business managers are: Publisher, American Management Association, 330 West 42nd Street, New York 18, N. Y.; Editor, James O. Rice, 330 West 42nd Street, New York 18, N. Y.; Managing Editor, None; Business Manager, Alvin E. Dodd, 330 West 42nd Street, New York 18, N. Y.

2. That the owner is: (If owned by a corporation, its name and address must be stated and also immediately thereunder the names and addresses of stockholders owning or holding one per cent or more of total amount of stock. If not owned by a corporation, the names and addresses of the individual owners must be given. If owned by a firm, company, or other unincorporated concern, its name and address, as well as those of each individual member, must be given.) American Management Association, 330 West 42nd Street, New York 18, N. Y.; Alvin E. Dodd, President, 330 West 42nd Street, New York 18, N. Y.; James L. Madden, Treasurer, 1 Madison Avenue, New York, N. Y.

3. That the known bondholders, mortgagees, and other security holders owning or holding 1 per cent or more of total amount of bonds, mortgages, or other securities are: (If there are none, so state.) None.

4. That the two paragraphs next above giving the names of the owners, stockholders, and security holders, if any, contain not only the list of stockholders and security holders as they appear upon the books of the company but also, in cases where the stockholder or security holder appears upon the books of the company as trustee or in any other fiduciary relation, the name of the person or corporation for whom such trustee is acting, is given; also that the said two paragraphs contain statements embracing affiant's full knowledge and belief as to the circumstances and conditions under which stockholders and security holders who do not appear upon the books of the company as trustees, hold stock and securities in a capacity other than that of a bona fide owner; and this affiant has no reason to believe that any other person, association, or corporation has any interest direct or indirect in the said stock, bonds, or other securities than as so stated by him.

JAMES O. RICE, Editor.

Sworn to and subscribed before me this 21st day of September, 1944.

(Seal)

RUTH KHAN, Notary Public.
(My commission expires March 30, 1946.)